A MARXIST COMMENTARY

On Economic Developments In India 1951–1965

AJIT ROY

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ON
ECONOMIC DEVELOPMENTS IN INDIA
1951-1965

A Marxist Commentary on Economic Developments in India 1951-1965

A Selection of Articles and Notes

AJIT ROY

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PREFACE

The articles and notes reprinted in this publication, it is hoped, will give a panoramic view of the economic developments during the eventful period—1951 to 1965. Beginning on the morrow of Independence and ending with the Indo-Pak War, this period coincides with the span of the first three development plans. Apart from underlining the basic trends and problems dominating the Indian economic scene throughout the period, some significant episodes are also highlighted in these pages. These may be useful to those engaged in a more systematic study of the period.

Notwithstanding the title of the publication, the author does not lay any claim to profundity in the application of the Marxist methodology to the study of Indian economic developments. This should be clear from the indefinite article preceding the adjective.

In conclusion, the author takes this opportunity to thank the editors of the periodicals at whose behests these writings were undertaken.

Calcutta
19 September, 1967

Section One

ON FOREIGN CAPITAL

Foreign Capital in India

The results of the domination of foreign capital over India's economic life as revealed through hunger and privations, disease and death, ignorance and backwardness, in a word, through sub-human conditions for the teeming millions of our country, are too glaring to need any graphic description. For about a century, patriotic Indians have been waging the struggle to end this domination. The purpose of the present study is not to discuss the nature and effects of the domination of foreign capital in India, but to attempt a quantitative estimate of the total foreign investments in the country, its distribution among different branches of business activity and also the different sources (countries) of its origin. An attempt has also been made to approximately estimate the relative position of foreign and Indian capital in certain specific sectors of the economic life.

Two trends

With the recent political changes, there has appeared a tendency to underestimate the domination still exercised by British capital over the political-economic life of the country. The reverse trend of minimising the growth and consolidation of the Indian finance-capitalist formations has also been noticeable. For a correct perspective of the people's struggles for the advance of Freedom and Democracy in India and for the formulation of concrete slogans of the movement, it is essential that the roles and spheres of foreign and indigenous finance-capitalist formations should be determined as precisely as possible.

So long the total amount of foreign investments in India has been a matter of more or less a conjecture. A number of non-official estimates had been attempted both by British and Indian businessmen and economists, but none could be regarded as authoritative and accurate. Estimates have varied between Rs. 300 crores and Rs. 1,000 crores. However, the recent census of the foreign liabilities carried out by the Reserve Bank of India has substantailly removed this long-felt want of an authoritative and exhaustive account of foreign investments in the country. The present study is mainly based on the data of this census.

I

The Reserve Bank census depicts the position of India's foreign liabilities, as on June 30, 1948. This account has been compiled from the legally obligatory replies to the Bank's questionnaire received from 16,653 Indian and 3,346 foreign nationals. The entire process of the census took about three years' time. Table I gives the summary of the total liabilities, as revealed by the census, both in the official or Government and the non-official or private sectors.

TABLE I

Foreign Liabilities of India

(In crores of rupees)

Official Sector		Non-official Sector			
		(a) Portfolio		*(b) Direct*	
I. Short-term	222	I. Short-term	78	I. Ordinary shares of Indian joint-stock companies	85
II. Long-term	426	II. Long-term	66	II. Investments in branches of foreign firms and companies	167
III. Total	648	III. Total	144	III. In controlled partnerships	2
				IV. Total	254
		TOTAL of non official sector—direct and portfolio			398
GRAND TOTAL of official and non-official sectors:					1,046

It will be seen that by far the bigger part of the foreign liabilities, 62% to be exact, belongs to the official sector and only 38% to the non-official.

The official sector

Let us first discuss the liabilities of the official sector. Total liabilities of this sector stood at Rs. 648 crores. Of this, long-term obligations, *i.e.*, those maturing after June 30, 1949, amounted to Rs. 426 crores and short-term, *i.e.*, those maturing by June 30, 1949, to Rs. 222 crores.

The main items of the long-term liabilities of the official sector were : (i) the capitalised pension liabilities of the Central Government amounting to Rs. 224 crores and (ii) non-interest-bearing, non-negotiable securities of the Central Government in favour of the International Monetary Fund and the World Bank, amounting to Rs. 134 crores.

An important item under short-term liabilities *i.e.*, those maturing by June 30, 1949, was the Central Government's liability to the U.K. for the surplus war stores, which has subsequently been adjusted and paid up at Rs. 46 crores. Another item was the deposit liabilities of the official organisations, *i.e.*, various embassies and international bodies, for meeting their current expenditure.

Of the total official liabilities of Rs. 648 crores, the *value of the interest bearing securities* (including treasury bills) *owned abroad* was Rs. 69.3 *crores* only or less than 11% of the total.

The total amount of Public Debts of the Government of India in 1948 stood at about Rs. 1,800 crores. ***The amount of Government securities owned abroad formed only 4% of the total public debts.***

The bulk of the official 'obligations' arose out of the very nature of the Mountbatten settlement and went to pay the retired Col. Blimps and the members of the notorious ICS steel-frame for their loyal and efficient service to the cause of

British imperialism in India and also for the war stores rejected by Britain. These 'obligations' have since been discharged at a total cost of about Rs. 300 crores, which has been deducted from our accumulated sterling balances in the U. K.

As against these liabilities of the Government of India, we have at this moment sterling assets amounting to about Rs. 800 crores.

II

Before we analyse the liabilities of the non-official sector, it is necessary to discuss the principles of classification into *direct* and *portfolio* investments and the method of their valuation.

"Direct" and "Portfolio" investments

The following are the items of *direct* investments :

(1) All *branches* of firms and companies registered abroad and operating in India on the date of the census.

(2) All *partnerships* registered in India in which the proportion of proprietary interests of a partner, or partners resident abroad exceeds 40% and which are controlled from abroad.

(3) Re. *Joint-stock companies :*

(*a*) All companies, 40% or more shares of which are owned in a country outside India.

(b) All companies, which are subsidiaries to companies registered abroad.

(c) All companies, 25% or more shares of which are held by another joint-stock company which is itself a foreign-controlled company (but not a managing agency to the former).

(d) All companies controlled by a managing agency company which is itself a foreign-controlled company.

Portfolio investments include those obligations where control in regard to a firm or company remained in India.

Method of valuation

The following method of valuation has been adopted in the census :

(1) *Preference shares or debentures* of joint-stock companies have been valued at par, as the amounts represented by these are in the nature of loans to the companies at specified rates.

(2) *Deferred shares* of the joint-stock companies are relatively insignificant, so it was considered convenient to value these at par.

(3) *Ordinary shares* of joint-stock companies.

As the amount of undistributed profits of the companies in the shape of reserve funds represents additional capital in which the ordinary shareholders have an equitable interest, the balance in such reserve funds should be taken into account, so also the accumulated losses of the company which reduce the real worth of the shares of these companies. 'Equity value' providing for the inclusion of these items has been made the basis of valuation of the ordinary shares of the joint-stock companies.

Foreign liabilities of non-official sector

Now we can discuss the foreign liabilities of the non-official sector. Table II gives a general summary of the total liabilities and their distribution into direct and portfolio investments as well as according to ownership. It should be noted that for the simplification of the table, many countries holding small amounts of investments have not been separately listed, but their holdings have been included in the totals.

It will be seen that Rs. 144 crores out of the total foreign investments of Rs. 398 crores (grand total of 'portfolio' and 'direct'), or 36% of the total are of the portfolio type and as such do not involve foreign control over the establishments. The remaining Rs. 254 crores, or 64% of the total belong to the category of 'direct' investments and involve foreign control over the establishments.

TABLE II

Foreign Liabilities of Non-official Sector

(In lakhs of rupees)

Country	Portfolio: Misc. Items*	Portfolio: Partnerships	Portfolio: Jt. Stock Cos.	Portfolio: Total	Direct: Partnerships	Direct: Branches of Foreign Cos. including Exchange Banks (nett)	Direct: Indian Joint-stock Companies.	Direct: Total
U. K.	18,07	...	40,80	58,87	103	124,94	63,37	189,34
U. S.	7,27	1	1,05	8,33	...	12,81	4,10	16,91
Total†	77,54	39	66,41	144,34	157	167,09	84,96	253,62

*Misc. items relating to the direct sector, *viz.* loans and advances, inter-company and inter-branch balances have been excluded. †The figures for foreign countries other than U. S. and U. K. have not been seperately listed, but they have been included in totals.

(Source : Foreign Liablities of India, etc. by the Reserve Bank of India, Tables III—25 & 26).

U. K. holds the lion's share

Of the total direct investments of Rs. 254 crores, Rs. 167 crores, or 66% are invested in the branches of foreign companies, Rs. 85 crores, or 33% in controlled Indian joint-stock companies and Rs. 1.5 crores, or less than 1% in partnerships.

So it shows that as much as two-thirds of the total foreign business investments involving control (direct) have been made through companies incorporated abroad and one-third through the rupee companies, *i.e.*, joint-stock companies registered in India.

As regards the ownership, it is easily understandable that the United Kingdom holds the lion's share. It will be seen that

out of the total foreign business investments (both direct and portfolio) of Rs. 398 crores, Rs. 248 crores, or 62% are held by the U. K., Rs. 25 crores, or 6% by the U. S. A. and about 32% by other foreign countries.

TABLE III

Foreign Business Investments in India
Trade and Country-wise
(In lakhs of rupees)

Trade	Total		U. K.		U. S.	
	Port-folio	Direct	Port-folio	Direct	Portfolio	Direct
1. Manufacture	25,51	41,33	13,75	32,67	20	4,93
2. Trading . .	5,21	80,11	3,81	63,48	34	4,84
3. Utility . .	4,85	15,73	3,94	15,59	1	...
4. Transport .	4,81	10,39	95	10,30	1	2
5. Mining . .	2,97	10,04	1,30	9,60	18	...
6. Financial . .	10,53	36,00	7,30	40	2	6,94
7. Miscellaneous. . .	12,92	60,02	9,75	57,30	30	38
8. GRAND TOTAL	66,80*	2,53,62	40,80	1,89,34	1,06	17,11

(*Ibid* : Table III—27)

* The amount of Miscellaneous items in the Portfolio liabilities, comprising mostly of the short-term obligations of the banks, viz., deposits, loans and advances, negotiable instruments, inter-company and inter branch balances, etc., amounting to Rs. 78 crores has been omitted Only the long term portfolio investments representing the value of ordinary, preference and deferred shares of the joint stock companies have been included in the table.

The share of the U. K. in the sphere of direct investments is still higher. Out of the total of Rs. 254 crores of direct investments, the share of the U. K. stood at Rs. 189 crores, or 74% of the total, and the share of the U. S. A. at Rs. 17 crores, or 7% of the total, while all the other foreign countries together held only 18% of the total. (See Table III.)

Table IV derived from Table No. III—27 of the census report shows the percentage shares of the different branches of business activity in the total of foreign investments and the share of the U. K. therein.

It will be seen that the biggest three branches of foreign investments in India were manufacturing, trading and miscellaneous (which included rubber and coffee plantations) items. The British shares in these three items respectively are 80, 79 and 94%. In the utilities and transport, the British shares were 99.9% in each. In mining, it was 96%. Only in the financial sphere which formed 14% of the total foreign investments, the Brit:sh share was almost nil.

TABLE IV

Trade	As percent. age of total foreign investment	Share of the U. K.	
		As percentage of total foreign investment in India, in the particular trade	As percentage of total foreign direct invest- ment in the particular trade
Manufacture ...	21	70	80
Trading ...	27	79	79
Utilities ...	7	95	99·9
Transport ...	5	74	99·9
Mining ...	4	77	96
Financial ...	14	17	1
Miscellaneous	22	92	95
TOTAL ...	100	72	74

As a whole, the U. K. held 72%* of the total foreign investments in India and 74% of the total direct investments by foreign countries.

But it should be clearly understood that the amount of direct investments does not actually reveal the extent of foreign control over the economy of India.

III

Control through managing agencies

The peculiar form of control exercised by the foreign managing agency firms over vast networks of subsidiary companies is not based on any largescale investment. Table V shows the proportion of the value of the shares held by the foreign managing agency firms to the total value of the ordinary shares of the companies under their control.

It will be seen that the managing agencies in general held only 14.6% of the total shares of the companies under their control, and the share of the British managing agencies was slightly higher at 15%.

It will be further seen that out of about Rs. 90 crores of the total values of all the ordinary shares of all the companies under the control of the foreign managing agencies, the total under the control of the British managing agencies amounted to Rs. 76 crores, or 86% of the total.

The grip of the foreign managing agencies over a vast network of companies worth about Rs. 90 crores through the ownership of only about Rs. 13 crores worth of shares was extended over every branch of business activity, *e.g.*, manufacturing, trading, transport, utilities, mining, financial, and plantations. Some of the major items in each class of business activity are discussed below.

*On the basis of overall figures, the share of the U. K. in total foreign investments in India, direct and portfolio, works out to be 62%. Here it works out as 72%, because the Miscellaneeus items under portfolio investment comprising mostly of the short-term obligations of the banks, which stood at Rs. 78 crores are omitted from the table.

By holding shares worth Rs. 684 lakhs only the foreign managing agencies controlled manufacturing companies, whose total shares were worth Rs. 44,71 lakhs. Of this, the biggest two were *jute* and *cotton textiles* industries, in which by holding shares worth Rs. 255 lakhs and Rs. 260 lakhs respectively, the managing agencies controlled companies worth Rs. 17,18 lakhs and Rs. 16,91 lakhs respectively. The managing agencies' share in these two industries worked out to be 14.9% and 15.3% respectively.

TABLE V

(In lakhs of rupees)

Country of origin of managing agency	Distribution of ordinary shares of the subsidiary companies		
	Total value	Share of managing agency	
		Value	Percentage of total shares (Proportion of III to II)
I	II	III	IV
United Kingdom	75,63.7	11,34.9	15.0
Malaya ...	5,31.6	1,71.3	32.2
Norway ...	9.3	2.4	25.8
Switzerland ...	1.0	1.0	100.0
United States ...	8,55.9	*negligible*	
TOTAL ...	89,61.5	13,09.5	14.6

In *trading* the managing agencies held Rs. 171. 9 lakhs out of a total of Rs. 515.7 lakhs or 33.3%. The major items of trade under the control of the managing agencies were : (i) *mineral oils*, (ii) *cotton*, (iii) *electrical equipment*, and (iv) *jute*. Table VI shows the total value of the shares of the subsidiary companies carrying on these trades and the share of the managing agencies in them.

In *coal mining* the managing agencies owned shares worth Rs. 66.1 lakhs and controlled companies worth Rs. 456.9 lakhs.

In *tea plantations*, with investments worth Rs. 306 lakhs, the managing agencies controlled companies worth Rs. 15,23 lakhs.

In *utility* (electric supply) and *transport* the managing agencies controlled Rs. 10,57 and Rs. 4,08 lakhs, through investments worth Rs. 24.9 lakhs and Rs. 12.9 lakhs, or a mere 2.4%. and 3.2% rsepectively.

TABLE VI

Distribution of shares of the trading companies

(In lakhs of rupees)

Branches of trading	Distribution of ordinary shares of the subsidiary companies		
	Total	Share of the managing agencies	
		Value	Per-cent-age-
Mineral oils ...	1,46.2	88.0	60.2
Cotton ...	31.3	15.2	48.6
Electrical equipment ...	27.3	1.5	5.5
Jute ...	24.1	0.1	0.4

Dependence of second degree

Apart from direct control through the managing agency, there was another form of control exercised a little indirectly. The managing agency controls its subsidiary ; its subsidiary in its turn holds 25% or more shares of another Indian joint-stock company and gets into a position so as to control the latter.

By holding investments worth Rs. 159.4 lakhs, companies worth Rs. 634.4 lakhs are controlled in this way. Of this, only Rs. 13 lakhs involving control over Rs. 52 lakhs are held by British West Indies. The rest of the investments of this category belongs to the U. K.

Of the total holdings of the U. K. in this category, investments worth Rs. 56.3 lakhs involving control over Rs. 225 lakhs are made in *manufacturing* industries, Rs. 12.6 lakhs involving control over Rs. 48.2 lakhs in *trading* companies, and Rs. 43.8 lakhs involving control over Rs. 174 lakhs in *investment* companies.

Through the above two types of control, namely, managing agency and by holding 25% or more shares through a subsidiary company, the foreign monopolies exercise control over companies worth a total of Rs. 95,95.9 lakhs on the basis of a total investment worth Rs. 14,69.0 lakhs, or 14.3% only.

IV

Proportion of foreign to Indian capital

So far we have discussed the absolute volume of foreign investments in different spheres of business activity in India and the control it denotes in certain sectors. But our study so far does not reveal the proportion of the foreign control to the Indian. The data published by the Reserve Bank of India census do not throw any light on this aspect of the question.

A departmental study of the Government of India has attempted within certain limitations to estimate the proportion of the British control to the Indian, as in June 1948.

"In this study," it is stated in the departmental memorandum referred to above, "the position of Indian joint-stock companies with paid-up capital of not less than Rs. 5 lakhs and 90 companies incorporated abroad but working in India has been analysed.

"Foreign controlled companies in this study have been taken to include :

"(1) Companies incorporated in other countries and having business in India ;

"(2) Indian joint-stock companies controlled by foreign managing agencies ;

"(3) Indian joint-stock companies having a majority of foreigners on the board of directors.

"(Foreign controlled partnerships have not been included as sufficient data about them were not available.)"

"Of the 1,062 companies taken for study, 399, that is, 37% were controlled by foreigners, 306 of them being registered in India and 93 incorporated abroad—the remaining 663 were controlled by Indians and registered in India. The total paid-up capital of these companies was Rs. 359 crores, the foreign controlled companies contributing Rs. 153 crores or 43% of it. Taking Indian registered companies alone, paid-up capital of which amounted to Rs. 305 crores, the foreigners controlled companies with capital of Rs. 99 crores, that is, 32%."

A tabular summary of the above is given in Table VII.

Of the 93 companies incorporated abroad and having business in India 33 are *financing* companies, 35 *tea* companies, 9 *mining*, 4 *jute*, 3 *public utilities*, and 9 others. All these companies with the exception of 33 financing companies and a few others are doing business only in India. The capital of such companies amounts to Rs. 28 crores, but from this estimate, companies—*financing* and a few others—whose business is not mainly confined in this country have been excluded. In case of the financing companies, their net assets in India are available and have been estimated at Rs. 26 crores. Including the assets of the financing companies, the total capital of the foreign companies incorporated abroad comes to Rs. 54 crores, financing companies contri-

buting 48%, tea 14%, public utility 10%, mining 10%, petroleum 5% and jute 4%.

TABLE VII

	No. of Companies	Paid up capital in crores of rupees
I. Indian Jt. stock companies		
(a) Indian controlled ...	663	206
(b) Foreign controlled ...	306	99
Total ...	969	305
II. Branches of foreign firms not registered in India ...	93	54
III. Total foreign controlled 1 (b) & II ...	399	153
IV. GRAND TOTAL ...	1,062	359
V. Proportion of III to IV ...	37%	43%

So far as foreign controlled Indian companies are concerned, of the 306 companies, 17% are tea companies, 10% jute and 11% mining, 8% engineering, 8% cotton, 7% public utilities. Their capital of Rs. 99 crores is made up of jute companies (17%), engineering (14%), cotton (10%), and financing (6%).

Taking together companies incorporated abroad and foreign controlled Indian joint-stock companies, tea, jute, mining, financing and engineering account for two-thirds of the total.

Table VIII shows the total number of companies (93 companies incorporated abroad and 969 Indian joint-stock companies with paid-up capital of not less than Rs. 5 lakhs), their distribution among various industries and the shares of foreign controlled companies therein.

TABLE VIII

Proportion of foreign controlled companies to total companies

	Total Companies		Proportion of foreign companies to total companies	
	No.	Capital (Rs. crores)	No.	Capital
A. FOREIGN CONTROL OVER 50% OF CAPITAL				
1. Petroleum ...	4	3.6	75	97
2. Rubber manufacture ...	4	1.5	75	93
3. Light railways ...	17	5.9	77	90
4. Matches ...	5	1.9	60	90
5. Jute	66	23.4	80	80
6. Tea ...	105	16.4	81	86
7. Mining other than coal	16	9.1	62	73
8. Coal	49	8.9	69	62
9. Rubber plantations and distribution ...	24	6.5	25	54
B. FOREIGN CONTROL OVER MORE THAN 25% BUT LESS THAN 50% OF CAPITAL				
1. Financing ...	199	68.7	19	46
2. Electric ...	44	27.6	52	43
3. Engineering ...	81	46.8	31	33
4. Coffee ...	16	2.3	19	37
5. Food ...	31	2.0	16	32
6. Paper ...	14	5.4	29	28
C. FOREIGN CONTROL OVER LESS THAN 25% OF CAPITAL				
1. Sugar ...	61	13.9	25	24
2. Cotton Textile ...	152	47.3	16	21
3. Cement ...	8	13.6	12	5

It will be seen that foreigners control the two biggest export industries, namely, *jute* and *tea* to the extent of about 90% of the total capital. They also have a predominating grip over the *mining* industries. The important public utility

like the light railways and the necessity like the matches also are almost exclusively under foreign control.

On the other hand, the biggest single industry, namely, the *cotton textile*, is controlled by the Indians to the extent of 79% of the capital. *Engineering* and *electricals*, two of the basic industries, are also under Indian control to the extent of 67% and 57% of the paid up capital respectively. 95% of the capital of the *cement* industry also is controlled by Indians.

V

In the sphere of finance

So far we have discussed the question of foreign control over different branches of industry. Let us now see the situation in the sphere of finance. The survey discussed above shows that 54% of the capital of the financing companies was under Indian control. Below we give the distribution of the bank deposits compiled from the *Statistical Tables Relating to Banks in India* published by the Reserve Bank of India. For a deeper understanding of the situation, the banks carrying on their operations in India have been divided into three categories, namely, (i) purely Indian, (ii) purely European, and (iii) the Indo-British joint banks.

The purely *foreign* (exchange) banks, 15 in number, together hold a total deposit of Rs. 160 crores. The average per bank of this group is Rs. 10.66 crores.

The purely *Indian* joint-stock banks together hold a total deposit of Rs. 522 crores. Of this, only five big banks together hold a total deposit or Rs. 257 crores, or Rs. 51.4 crores per bank.

Two Indian joint-stock banks, namely, the *Imperial Bank of India* and the *Allahabad Bank*, representing joint control, together hold a total deposit of Rs. 308 crores. Of this, the Imperial Bank alone is responsible for Rs. 280 crores.

In terms of percentage, the purely foreign (exchange) banks hold 16% of the total deposits. These banks almost exclusively finance the foreign trade of India.

The purely Indian banks hold 53% of the total deposits and are mainly responsible for financing the industries and internal trade in India. To a very limited extent they participate in foreign trade. It should be noted that only five big banks of this group hold 31% of the total deposits.

The *Imperial Bank of India* occupies a unique position in the banking world of India. Apart from the fact that it carries on a number of the functions of a central bank, it also plays an important role in other spheres of financial operations. This bank alone holds 31.8% of the total deposits. According to an official statement in the Indian Parliament, about 80% of the privately held shares of the Imperial Bank are in Indian hands. The Central Board of Directors of this Bank is today composed of equal numbers of British and Indian directors with two representatives of the Government of India.

VI

The public debts

In the sphere of the public debts of the Government of India, we have already seen that on the 30th of June, 1948, out of a total of about Rs. 1,800 crores, Rs. 69 crores, or only 4% were held by foreigners.

—*India Today*, Allahabad,
June and July, 1951

Patent Loot To Continue ?

Mr Shastri's London visit has produced one tangible result least—the shelving of the amending Bill on patent laws, which the Ministries of Health and Industry had prepared after long deliberations over the report of Mr Justice Rajagopala Ayyangar. This sudden brake, it appears, was not the result of any careful consideration. In fact, the Ministrses concerned in New Delhi had so far turned a cold shoulder to pressing demands by foreign, more particularly, pharmaceutical interests for the withdrawal of the amendment measures. But in London, when the Chairman of one of Britain's major pharmaceutical companies asked Mr Shastri if he could comment on rumours about changes in India's patent laws, he retorted gaily that "if his questioner was happy with the present regulations, he could relax, because that is how thnigs will remain".

This caused a stir in the Ministries of Industry and Health in New Delhi. Officials of the two Ministries, reports the Times of India News Service, "were taken aback by the Prime Minister's statement as they were still busy giving final touches to the proposed amending Bill". The amendment, it is said, will not go through the current session of Parliament in its present form. Whether it will be dropped or watered down will depend on consensus in the Government in the light of Mr Shastri's statement in London.

The proposed amendment envisages that no new product patent will be issued in future for pharmaceutical and food products. Process patents will, however, be maintained, subject to the condition that their validity will be reduced from

16 to 7 years. It also provides that any individual or company can obtain from the Controller of Patents the right to exploit the process patent by paying a maximum royalty of 2 per cent to the patent-holder. These amendments encountered stiff opposition from foreign interests and a number of business executives from the U.S.A., the U.K., and West Germany visited New Delhi to demand their withdrawal. Faced with what can be called a *coup de grace* delivered by the Prime Minister in London (and conveyed to New Delhi by the international press only), the sponsoring Ministries, it is learnt, were awaiting the return of the Secretary to the Prime Minister, Mr L. K. Jha, to know what had actually happened at the London meeting.

Patent rights are not uniformly protected the world over. In fact, it is only the developed countries which have patent agreements on a reciprocal basis. Japan had no patent law before World War II. The absence of these laws in Italy for food and drugs and chemicals has enabled the local chemical and pharmaceutical industries to make phenomenal progress. The present patent law in this country was enforced by the British Government to enable the foreign patent-holders to exploit the country as a sort of monopolistic preserve. This has always been a one-way traffic. According to Mr Ayyangar's report, the number of patents granted to foreigners in India between 1947 and 1958 was over 21,000 with hardly any patent taken by Indians in foreign countries.

Instances of the monopolistic exploitation of the Indian market by these patent-holders are not few.

The loot

A certain foreign firm in Bombay is holding a patent for the process of manufacture and for sale of one of its products in India. The firm was not actually utilising this patent but importing the product and selling two ampoules for Rs. 25. This went on for years until another firm ini-

ported this substance and manufactured identical ampoules at a cost of Rs. 3 per two ampoules. The firm in question served a notice on the Indian firm prohibiting the import and sale of this product and after a few months brought down its price from Rs. 25 to Rs. 6.

Another firm had been selling 40 tablets for Rs. 18. The same substance was imported by several Indian firms and the cost of manufacture of 40 tablets came to about Rs. 3.80. The foreign firm immediately filed suits, prohibiting the Indian firms from importing the substance or manufacturing and selling them. The firm has now reduced its price to Rs. 14.

Cortisone, that life-saving drug, is sold in India at Rs. 15 a gram as against its world price of Rs. 5.

The international price of vitamin B/12 is about Rs. 30 per gram but its sale price permitted by the Government of India is Rs. 220 per gram.

A foreign firm is manufacturing and selling Chloramphenicol at Rs. 450 per kilo as against its world price of Rs. 89 per kilo.

The list is only illustrative.

If Mr Shastri has got some weighty reasons for perpetuating this loot by patent-holders, he should share them with the nation.

—*Now*, Calcutta, December 18, 1964

II

The Indian Patents Bill 1965, sent to a Joint Select Committee of both Houses of Parliament on November 25, is a liberally diluted version of the previous draft which was shelved at Mr Shastri's instance following his assurance to some representatives of British big business during his maiden visit to the UK. The Prime Minister was then reported to have promised that efforts would be made to meet their objections. Similar commitments were also made to the top foreign businessmen assembled at the conference of the International Chamber of Commerce in New Delhi earlier this year.

The revised Bill bears witness to the powerful pressure that international big business can bring to bear upon the Government of independent India. For instance, the term of a patent has been raised from seven years in the original Bill to 10 years in the revised version. More, this ten-year limit will not have retrospective effect. In other words, if a patent valid for 16 years under the existing Act has already run six years, it will be allowed to be effective for the next 10 years. The earlier Bill sought to end all patents which had completed 10 years. Another significant concession to foreign monopolies has been made on the question of royalty, the ceiling for which has been raised from two per cent of gross sales in the original Bill to four per cent.

The new Bill, however, retains some of the progressive provisions of its predecessor, viz., the denial of the right of appeal in a law court against the licensing decisions of the Controller of Patents. Also, the refusal to issue product patents, as distinct from the process patents, in the case of pharmaceutical and food articles. The other notable provi-

sions are the nullification of the conditions of contract, leases or licences which tend to impose restrictions on the other party with regard to the purchase of articles or uses of processes other than the patented articles or processes and the denial of patent rights to alloy steel, optical glass and certain electrical accessories.

The real importance of some of these provisions has, however, been questioned by as distinguished an authority as Dr S. S. Sokhey, who wrote in regard to the original Bill :

"Much is being made of the proposal to grant in future drug patents only for process and not for product. This may have some significance in countries with a highly developed chemical industry where alternative processes can be evolved. But in our country, where the chemical industry is in infancy, this will mean very little because wes hall have to build our drug industry, to begin with on the basis of known processes."

He was also unimpressed by the reduction of the term of patents in the original Bill to seven years, which has now been raised to 10 years. "In modern times," he said, "few drugs or processes last more than five years, because of the very fast tempo of research" in this field.

However, even the new concessions have failed to satisfy foreign and Indian big business.

"International Protest"

The Times of India correspondent in Washington, H. R. Vohra, reported on November 15 that "an international protest" against the Indian Bill was building up and "the storm" was spreading in the USA. The Bill was adversely commented on by the top echelons of the American business world represented by the International Chamber of Commerce, the National Association of Manufacturers and the Pharmaceutical Manufacturers' Association. Some of these influential organisations are arranging to send delegations to India in order to protest against the provisions of the Bill. The U.S.

Government also, Vohra reported, was submitting an *aide memoire* on the views of the U.S. industry.

Within a week of this report, the apex organisation of the Indian business world, the FICCI, submitted to the Government of India a memorandum on similar lines.

Under these circumstances, one should not be surprised if the Government of India comes up with further concessions to the world monopolies in course of the legislative process. Vigilant and well-informed public opinion could be a potent check against such a turn. The following facts should provide a background for such discussions.

In the five years, 1957 to 1961, a total of 20,785 patents were applied for in India. Of these, applications by foreigners numbered 17,689 or over 85 per cent. The proportion of foreign applications for patents in the USA is 20 per cent, in the UK 47 per cent, in West Germany 32 per cent, and in Japan 24 per cent, while in the socialist countries the proportions are still lower.

The impressively large number of foreign applications for patents in India is, however, misleading. "These patents," says an Indian official report, "are taken not in the interests of the economy of the country granting the patent or with a view to manufacturing them, but with the main object of protecting the export market from competition by rival manufacturers, particularly those in other parts of the world."

Even where a local firm is authorised to utilise a foreign patent, the licensing agreement not only contains provisions for exorbitant royalty but also restrictive conditions requiring the licensee to buy raw materials from the licensor, to employ his technical personnel, to maintain prices at certain levels, etc.

Recently specific cases were cited in the Press and Parliament to show how the patent rights are utilised by foreign

pharmaceutical interests to extort unconscionable profits in the Indian market. To quote some, Librium, a tranquilliser, is imported from a Swiss firm holding the patent in India at Rs. 5,500 a kg. which is available in Italy for Rs. 300 a kg. Till about a year ago a foreign firm was charging as much as Rs. 60,000 per kg. for Hexamelhazan, which was subsequently, brought down to Rs. 16,000 by Government pressure.

India would appear to be the worst victim of the international patent racket and was, in fact, cited as such in the report of the U.S. Senate Committee set up under the chairmanship of Senator Kefauver (1961), which said : "India which does grant patents on drugs provides an interesting case example. The prices in India for the broad-spectrum antibiotics, Aureomycin and Achromycin, are among the highest in the world. As a matter of fact, in drugs generally, India ranks among the highest priced nations in the world—a case of inverse relationship between per capita income and the level of drug prices."

If it is too much to hope that the Joint Select Committee will restore the original provisions, it must not dilute the Bill any further under the mounting pressure of foreign big business and their Indian collaborators.

—*Now*, Calcutta, December 7, 1965

Good Pastures

A recent study of the profitability of foreign capital invested in India, made by the Company Law Board, has revealed that the Indian subsidiaries of some of the world's top companies are paying a higher dividend than their parent companies. The study covers five companies included in the *Fortune* list of 100 top companies and their subsidiaries incorporated as rupee companies in India. Another study made by the *Eastern Economist* some time earlier showed that the rate of profits of the foreign companies in India was higher than that of the big-sized Indian companies in the corresponding periods. Concluding, the journal remarked, "In short, the US controlled companies in India had made a higher rate of profit than some of their parent companies in the United States and the larger Indian companies in India. As a result of the higher profitability, they were able to pay higher dividends than their parent companies as well as the Indian Companies. The higher rate of profit was made possible by charging a higher rate of profit on sales and by employing a greater amount of borrowed Indian funds which carried a lower rate of interest. Because of this higher profitability and by resorting to increased borrowings from the Indian capital market, eight US controlled companies in India were able to increase their share in the assets of these companies from Rs 12.3 crores to Rs 19.5 crores, that is an increase of Rs 7·2 crores, of whieh only Rs 1.6 crores represented the maximum inflow of US capital, even after remitting a maximum of Rs 3.8 crores as dividends abroad.

Thus during the period 1957-60, there was a minimum net outflow of capital from India to the United States to the extent of Rs 2.2 crores and the Indian assets of US compantes increased by Rs 7·2 crores. In other words, the operations of the eight US controlled companies in India had seemingly increased Indian foreign liabilities to the extent of Rs 9.4 crores ; but this figure would be somewhat on the higher side as separate data regarding the share (which, however, must be modest) of Indians in these eight companies are not available."

Since higher rate of profits earned by the foreign companies implies a higher rate of outflow, its repercussions on our delicate balance of payments position are certainly not exactly conducive to the health of the nation's economy. The recent shift in favour of liberalisation of imports of foreign private capital into the country as a measure of solving the foreign exchange crisis is self-defeating and in the long run, i.e. after the gestation period of the undertaking, is liable to add to the foreign exchange problems.

—*Now*, Calcutta, December 4, 1964

Section Two

ON CONCENTRATION OF ECONOMIC POWER

Concentration of Labour and Capital

It is a commonplace to-day that behind the facade of welfare State and Socialist Pattern of Society, the rich in India has become richer and the poor, poorer. But what is not so commonly realised is the extent and rapidity of the process of the concentration of economic power. In the following paragraphs an attempt will be made to present a picture in outline of the power of big business in India and of the rapid increase of that power in recent years.

Concentration of labour is very steep in Indian factories. According to the statistics collected by the Labour Bureau, under the Ministry of Labour, Government of India, and published in the *Indian Labour Gazette*, July, 1954 :

In 1952, there were 21,175 factories registered under sections 2m (i) and 2m (ii). (i.e., employing 10 or more workers and using power, and employing not less than 20 workers without using power). They employed a total of 2,416,021 workers,

Out of this total, 479 factories employed 1000 or more workers each. These big factories together employed a total of 1,236,162 workers. In other words, 3 p.c. of the total number of factories employed 50 p.c. of the total number of workers.

At the other pole, 15,198 factories employing less than 50 workers each, together employed 3,24,445 workers. To put it another way, 72 p. c. of the total number of factories together employed 16 p.c. of workers.

In the industrial groups like 'manufacture of machinery', 'basic metal industries' and 'rubber and rubber products', the concenration of labour is steeper still.

About the same picture is revealed from a study of the concentration of paid-up capital. According to the data published in the Report of the Taxation Enquiry (Mathai) Commission :

In 1951-52, there were 8,823 joint-stock companies (public and private limited) engaged in manufacturing industries. Of these, 7,189 had paid-up capital of upto Rs. 5 lakhs each. They together had an aggregate of Rs. 82 crores as paid-up capital. In other words, about 81 p.c. of the total number of companies in this sector had about 15 p.c. of the total paid-up capital.

At the other end, 174 companies had each more than Rs. 50 lakhs as paid-up capital and they together had Rs. 230 crores, i.e., 2 p.c. of companies had more than 42 p.c. of the paid-up capital.

Now let us pass on from the manufacturing industry to the corporate structure as a whole.

In 1951-52, there were 20,377 joint-stock (private and public limited) companies in India. The total capital of these twenty thousand and odd companies amounted to Rs. 819 crores.

Out of these, 17,951 companies had paid-up capital of not more than Rs 5 lakhs each. They had an aggregate capital of Rs. 165 crores, or about 88 p.c. of the total number of companies had 20 p.c. of paid-up capital only.

At the other end, 241 companies had paid-up capital of Rs. 50 lakhs or more each. These together had a total of Rs. 313 crores as paid-up capital. In other words, slightly more than 1 p.c. of the total number of the joint-stock companies had more than 38 p.c. of the total amount of the paid-up capital.

The Recent Trend

That the present trend is one of more rapid progress of concentration is indicated by the following. According to the report of the Company Law and Investment Administration, G.O.I., 1,203 joint-stock companies with a total authorised capital of Rs. 226 crores were floated during the year 1955-56. Out of these, 42 companies were floated each with an authorised capital of Rs. 1 crore or more. The total authorised capital of the giant floatations amounted to Rs. 178 crores. This means that 4.5 p.c. of the companies floated were responsible for about 79 p.c. of the total capital authorised.

Further, an analysis of the material regarding the floatations consented by the Controller of Capital Issues, published in the Reserve Bank of India Bulletins (June and August, 1955) shows that the average amount of capital per industrial floatation has been in recent years consistently rising.

Year	Industrial floatations		Average per consent (Rs. lakhs)
	Number of consents	Amount (Rs. lakhs)	
1951	163	44,00	26
1952	102	32,69	32
1953	124	71,40	50
1954	140	93,86	67
1955 (1st qtr)	40	34,36	86

Concentration In Banking

Within the whole of the organised sector of Indian economy, concentration has reached the highest proportion in the banking industry.

Excluding the foreign (exchange) banks, there were 509 Indian Joint Stock Banks (both scheduled and non-scheduled) in 1953. Of these, 260 banks had deposits below Rs. 5 lakhs each. They together had in aggregate capital and reserves of Rs. 3,98 lakhs out of a total of Rs. 73,22 lakhs for all the 509 banks. In other words, 52 p.c. of the total

number of the Indian joint stock banks together had 5.4 p.c. of the total capital and reserves.

These, 260, i.e., more than half of the total number of banks had even less than 1% of the total amount of deposits—Rs. 4,30 lakhs out of Rs. 803,78 lakhs (0.6 p.c. to be exact).

They had an equally negligible share in the other spheres of banking business, e.g. loans and advances, bills purchased and discounted, etc.

No wonder, the share of the total profits of the banking industry that they had was a mere 1.6 p.c.

In sharp contrast to this, only eight banks at the top, i.e. those having deposits of Rs. 25 crores or more each, forming 1.6 p. c. only of the total number of banks, had an aggregate of Rs. 37,24 lakhs or 50.8 p. c. of the total capital and reserves, Rs. 566,40 lakhs or 70.5 p. c. of the total deposits and corresponding shares in the other spheres of the banking business.

As can be expected, these eight banks pocketed Rs. 3,93 lakhs of profits out of a total of Rs. 6,09 lakhs, or 64.5 p.c. of the total.

Between 1947 and 1953, the share of the biggest banks (i.e. with deposits above Rs. 25,00 lakhs) in the total deposits of all the joint stock banks increased from 64.1 p.c. to 70.5 p.c. The share of this class in all the other spheres also, viz. capital and reserves, bills purchased and discounted, and nett profits shows a significant increase. This increase was achieved at the cost of the intermediate size classes.

This steeply concentrated top of the corporate structure in Indian economy is further centralised through the devices of the managing agency, multiple and interlocutory directorships.

Centralisation

A study made on the basis of the data furnished by the *Investors' India Year Book 1955* and the *Calcutta Stock Exchange Year Book 1955* reveals the following :

Of the six hundred and odd companies, listed in the above publications, companies belonging to the top category according to this definition, i.e. having paid-up capital of Rs. 50 lakhs or more, numbered 139.

These 139 companies had an aggregate paid-up capital of Rs. 267 crores. Out of this, the tentacles of Tata and Birla interests reached through different channels to about Rs. 98 crores and Rs. 60 crores repectively. Tata and Birla interests jointly, thus, were able to reach about Rs. 158 crores of paid-up capital or about 59 p.c. of the total for the topmost stratum. This is, of course, besides their interests in small and medium companies, i.e., companies with paid-up capital of less than Rs. 50 lakhs.

A study of the joint-stock companies functioning within the Calcutta region reveals that only 10 Indian families held an aggregate of 619 directorships. The table is reproduced below.

Directorships held by some of the Indian big business families in companies in Calcutta region

Family	Directorships
1. Singhania	107
2. Dalmia & Jain	103
3. Ruia	80
4. Birla	60
5. Goenka	55
6. Poddar	55
7. Bangur	52
8. Jatia	51
9. Thapar	35
10. Tata	21
Total	619

The few material cited in the foregoing paragraphs would generally justify the following comment made in a paper prepared by the Gokhale Institute of Politics and Economics :

"The sphere of operation of this (monopoly capitalism) is confined to certain restricted, though extremely important, sectors of economic activity within the country. These sectors are modern banking and insurance, large-scale machine industry, modern mining, plantations, foreign trade and internal wholesale trade and financial operations, such as those on the commodity and stock exchanges. The main points to be noticed about this field of economic activity is that though in relation to total occupied numbers and total number of economic units and establishments the constituents of this field are small, they are by far the most dominant in political, economic and social terms in the country today". (*Papers Relating to the Formulation of the Second Five-Year Plan*, Govt. of India, p. 558)

—*Dipika*, Bombay, September 1956

The New Companies Act—A Matter of Notice Only

Six months have elapsed since the controversial and omnibus new Companies Act came into force. Time is not yet for a comprehensive and exhaustive review of the working of the Act. But some indications of its operation are worth noting.

Everybody knows that the most significant negative feature of the corporate structure in our economy is the widespread interlocking of interests that has developed around the institution of managing agency. Has the new Act been effective in checking that ? Let us find out by reference to the foremost big business institution, namely, Tatas.

The Andhra Valley Power-supply Co. Ltd., the Tata Hydro-electric Power Supply Co. Ltd., and the Tata Power Ltd—these three companies have an aggregate paid-up capital of about Rs. 10 crores and they occupy a unique position on the power-map of India, being responsible for about a third of the total electric power generated in the country.

All the above three companies are under the management of the managing agency firm named the Tata-Hydro-electric Agencies Private Ltd., which again is subject to the control of the Tata Sons Private Ltd.

J. R. D. Tata, who is a director of Tata Sons Private Ltd., and the Tata Hydro-electric Agencies Private Ltd., is the Chairman of all the three companies—and he continues to remain so.

Another director of the managing agency (the Tata Hydro-electric Agencies Private Ltd.), Sir Purushottamdas Thakurdas has remained on the board of directors of the Tata Power for the last 37 years and of the other two companies for 30 years.

J. D. Choksi, N. H. Tata, C. V. Mehta, etc. are directors of the managing agency and one each of the three managed companies and have been on the board of directors for 10, 15 and 25 years respectively.

D. R. D. Tata and A. D. Shroff are directors of the Tata Sons Private Ltd. and have been on the board of one each of the three companies for 8 and 20 years respectively.

From the above it will be seen that the three above-mentioned hydro-electric companies are tied up and interlocked in three tiers—first through the common Chairman and another director (Sir P. D. Thakurdas); secondly, through the common managing agency and the presence of the directors of the latter on the board of the former; and thirdly, through the Tata Sons Private Ltd., which is the kingpin, to which the whole empire of the Tatas is subordinated.

It will be further seen that the nominees of the Tatas have the directorships permanently settled upon them.

Does the new Act break up this interlocking? No. What is required under the Act is simply that a special resolution be notified, moved and passed in the general meeting of the respective companies to validate the position. Notice of appropriate resolutions has, therefore, been served. They will be moved in the general meeting of the three companies to be held on the 22nd, 23rd and 24th October, 1956 respectively and, we are pretty sure, passed.

All the three companies have notified a resolution to the effect that all insurance business of the respective companies be continued to be placed with M/s Tata Sons Private Ltd., in the latter's capacity as one of the principal agents of the New India Assurance Company Ltd.

It will be noted that the New India also is a Tata concern with A. D. Shroff as the Chairman and J. R. D. as the Vice-Chairman.

So, this introduces the fourth 'dimension' into the three 'dimensional' structure already noted.

J. R. D. Tata expressed the essence of the new Act very crisply when he said in his speech to the 49th Annual General Meeting of the Tata Iron and Steel Co. Ltd., on August 30, 1956 :

"... Those of you who have taken the trouble to study this Act will appreciate the waste of time and energy caused by a number of its provisions as illustrated by the thirteen pages of the notice and its annexure in the year's Report as compared to the one page notice in previous years."

The new Companies Act, Mr. Tata has found out, is a matter of serving omnibus notice in appropriate legal terms only. This is not the experience of Mr. Tata alone. We have selected the instancc of the Tata firms as a typical example. If one cares to glance through the columns of the company notices published in the press, he will find that all the great men in the business world think alike. So, the great hullabaloo raised during the passage of the Act is dying down and the staff reporter of the *Statesman* was able to report on October 1, 1956 :

"After six months of operation of the new Company Law, the Administration claims that it has been able to allay the initial fears of thc corporate sector, which in its turn has adjusted itself and, with a few exceptions, co-operated in the eflective implementation of the provisions of the law."

All's well that ends well.

Mr. Tata Gives The Cue

At the intervention of its Chairman J. R. D. Tata, the Annual General meeting of the Tata Iron and Steel Co. Ltd., passed a resolution authorising its Board of Directors to contribute to the funds of polit'cal parties, which in their opinion would "serve the interests of industry in general and

of the steel industry in. particular". Following this lead, other companies managed by Birlas, Sri Ram, Martin Burn etc., have made similar moves. From all signs, a tidy sum of money is in the offing.

Mr. N. H. Tata, who is a Vice-President of the Indian Merchants' Chamber, Bombay, in one of its recent meetings urged the necessity of an adequate representation of business interests in "Parliament itself, wherefrom policies of economic, social and other controls emanate". (*Eastern Economist*, August 31, 1956).

Another Tata Chief Mr A. D. Shroff and the ideologue of the Tata House, Mr Minoo Masani, have launched expeditions in connection with the Forum of Free Enterprise and recently visited Calcutta.

The *Capital*, organ of the British big business in Calcutta, in one of its columns blessed the crusaders in the persons of Shroff and Masani and urged :

"...The Forum (of Free Enterprise) is one of the most important developments since War. It provides a rallying point for those who realise that posterity will avail this country little if it loses its liberty in the process." (Ditcher's Diary, *Capital*, October 4, 1956).

These are disquieting portents, which the lovers of democracy and socialism in this country should do well to take note of. For, political purse of high finance and democracy go ill together.

—*Dipika*, Bombay, November 1956

The Myth of "Pepole's Capitalism"

Text books on economics hold up the institution of joint stock companies as a unique creation of capitalism, which has, it is claimed, brought about a 'social revolution' by the dispersal of ownership of the economic enterprises. Contemporary ideologues of capitalism have coined the new term "People's Capitalism" to denote the present phase when the joint stock company system has conclusively established its supremacy and thus ushered in "economic democracy". In our country, the *Forum of Free Enterprise* and others of their ilk have spent a lot of money to bring home to the people the 'reality' of this transformation. But truth, it is said, is a stubborn thing that cannot be buried under tons of propaganda sheets.

A recent analysis of *Income Tax Revenue Statistics*, made by the *Reserve Bank of India*, relating to the dividend incomes of different classes of assessees gives the lie direct to all these vain efforts at embellishing capitalism and exposes its truly oligarchical character. We are quoting below some of the relevant figures.

	1955-56				*1958-59*			
	No	P.c.	Income assessed (Rs. Crores)	P.c.	No	P.c.	Income assessed (Rs. Crores)	P.c.
All classes of assessees	112,471	100	50.50	100	141,189	100	75.00	100
of which :								
Companies & other concerns assessable at company rates	1866	1.7	15.19	30.1	211	1.5	26.61	35.5
Individuals	99,948	88.9	29.57	58.6	125,099	88.6	39.72	53.0

It will be seen that out of the total of 141,189 assessees in 1958-59, 2,112 assesses forming 1.5 p.c. only, earned total dividend income of Rs. 26.61 crores or 35.5 p.c. out out of the aggregate of Rs. 75 crores for all assessees. It should be further noted that these top assessees were not individual investors, big or small, but "companies and other concerns assessable at company rates." In other words, more than one third of the holdings were not under individual ownership at all, but inter-corporate investments. These dividends accrued to jointstock companies, holding one another's shares.

It should also be noted, that the share of this class of assessees i.e. the companies, etc., increased from 30.1 p.c. in 1955-56 to 35.5 p.c. in 1958-59, while their proportion shrank from 1.7 p.c. of the total number of assessees to 1.5 p.c. in the same period.

Secondly, there is a steep gradation even among these companies, For example, 690 companies out of the total of 2,112, or 32 p.c. of the total had a dividend income below Rs. 15,000 each and they together earned in aggregate dividends of Rs. 72 lakhs or 2.7 p.c. only. On the other hand, 831 big companies forming 39 p.c. of the total had a dividend income of over Rs. 1 lakh each and they together earned Rs. 24.37 crores or 91 p.c. of the total dividend incomes of all the 2,112 companies.

The concentration of ownership of shares is steeper still among the individual assessees (as distinguished of individual assessees was 125,099, of whom 60,311 or 48 p.c. had dividend incomes of less than Rs. 5,000 each. These assessees together had an aggregate dividend income of Rs. 4.37 crores only out of Rs. 39.72 crores for all individual assessees. On the other hand, 1,442 individuals forming 1.1 p.c. had dividend income of over Rs. 1 lakh each and they together had an aggregate dividend income of Rs. 10.29 crores or 26 p.c. of the total for all the individual assessees.

To sum up, out of the total number of 141,189 assessees in 1958-59, only 2,273 (831 companies plus 1,442 individuals) or 1.6 p.c. had dividend incomes of over Rs. 1 lakh each. The aggregate dividend incomes of these groups amounted to Rs. 34.66 crores (Rs. 24.37 crores for the companies plus Rs. 10.29 crores for the individuals), out of a total of Rs. 75 crores for all assessees or slightly less than 50 p.c. of the total.

For the sake of simplification, we have excluded from our consideration the assessees among the Hindu undivided families as well as the fact that most of the individual assessees at the top are likely to be linked up with the top companies assessed. Even then, the picture revealed is not one of economic democracy but of oligarchical concentration.

—*Dipika*, Bombay, March 1961

Myths and Realities

A recent survey of share ownership pattern undertaken by the Reserve Bank of India gives a lie direct to the tendentious propaganda of the big business scribes that company ownership is getting more and more broadbased. It reveals that although shareholders in the size-group Re 1—Rs. 1,000 accounted for 64.2 per cent of the total number of shareholders, they held only 7.3 per cent of the total paidup value of ordinary shares. The shareholders in the higher size-group of Rs. 50,001 and above accounted for only 0.5 per cent of the total number of shareholders, but held as much as 56.5 per cent of the total paid-up value of ordinary shares.

Along with the above, the survey reveals another significant aspect of company ownership. It shows that inter-company interlocking of interests is making a rapid progress. In the new companies, individuals held only 22.9 per cent of the ordinary paid-up capital, while in the old companies they held 55 per cent. Joint stock companies, on the other hand, held 75.1 per cent of the ordinary shares of new companies as aganist 36 per cent in the case of old companies. All this shows that the law of growing concentration inherent in capitalism cannot be counteracted by a shower of well-meaning phrases.

—*Dipika*, Bombay, July 1962

Growth of Industrial Empires

Every serious-minded socialist must be wondering about the fate of the Mahalanobis Committee, set up a few months back to investigate into the progress of concentration of economic power. There is no public indication that the Committee has even started its work. Meanwhile big business circles have launched a tearing campaign repudiating all suggestions of growing concentration.

We bave heen regularly presenting our readers with serious factual and statistical material that tend to underline the trend of growing concentration of economic power in India. We are adding below some new entries to the dossier.

According to the latest Income Tax statistics, during the year 1959-60, there ware 9,791 companies assessed to Income Tax. The aggregate income assessed was Rs. 212.95 crores. Of this, 734 companies or 7.5 p.c. of the total had incomes of Rs. five lakhs or over. The aggregate income of these top grade companies was Rs. 167.53 crores or 78.6 p.c. of the total. 7.5 p.c. of the companies are earning 78.6 p.c. of total incomes. Shri Morarji Desai should please note.

Recently 27 schemes of cement manufacturing projects, aggregating a total capacity of 3,594,210 tons were sanctioned by the licensing authority of the Government of India. Of these, 10 schemes totalling an aggregate capacity of 1,149,990 tons or 31.9 p.c. of the total capacity sanctioned were alloted to the giant combine in the industry, viz., the Associated Cement Companies of India Ltd.

For another example of the big getting bigger still, let us quote from the Chairman, Mr. C. R. Srinivasan's address to the last annual general meeting of the East India Distilleries

and Sugar Factories Ltd. "Over this period", Mr. Srinivasan said, "the Company's growth has certainly been considerable. In 1948, the year in which the management and control was transferred to India, our capital and reserves totalled £706,736 and our total assets were £1.6 million. At the end of the financial year 1955-56, during which the purchase of the ordinary shares of Parry & Company Ltd. took place, the consolidated capital and reserves of the group rose to £1.8 million and the total assets to £5.2 million. On September 30 last, these figure were £3.28 million and £7.4 million".

It will be seen from the above that the capital and reserves of this company increased in the last 12 years over 4.7 times and the total asset over 4.6 times.

To-day apart from the original establishments of this company and those of Parry and Company Ltd., this group has come to own, according to the account given by the Chairman :

(i) "A large and efficient sugar factory at Nelikuppam crushing over 2,000 tons of cane per crop day and producing over a season 30,000 tons of white sugar.

(ii) "We are now in the process of arranging for the installation of yet a third kiln in our pottery works involving an outlay of Rs. 22 lakhs.

(iii) "A complete ammonium phosphate factory......is now under construction at Ennore.

(iv) "Our subsidiary, Andhra Fertilisers Private Ltd...... (have an annual turnover of) 160,000 tons per year.

(v) "Additionally, we have just been advised.........of the issue of a licence from the Goernment of India to erect a fertiliser factory at Visakhapatnam......to produce 300,000 tons of fertiliser per year.

(vi) "To complete the picture of our fertiliser activities, I would mention that the acid and super-phosphate plant of

our subsidiary, Andhra Fertiliser Factory, came into production in November, 1960."

"In spite of the restriction", commented the City Editor of the Calcutta *Statesman*, on June 14, 1961, "placed on activities and remuneration of managing agents by the Companies Act, confidence is promoted by the fact that some managing agents have taken steps to increase their earnings by diversifying activities in the industrial field,

"Duncan Brothers, for instance, has established two new companies—Isaac Holdens (India) Ltd. and Phillips Carbon Black Ltd. Isaac Holdens has set up a wood combing plant and production has already started. An application has been made for import licences in order to increase the capacity to 10 million lb. a year. Phillips Carbon Black has made progress in setting up its factory. Sehrader-Scovill Duncan Ltd., has has been formed......to produce tyre tube valves for motor cars".

Dipika, Bombay, July 1961

The Press Barons

The Fourth Estate, i.e., the press, is regarded as the guardian of democracy—the sword and the shield of the people against tyranny and exploitation. But under capitalism it always [illegible] that Big Money manages to get hold of this powerful weapon for influencing public opinion and to convert it from a pillar of democracy to an instrument for subverting it. This process has reached enormous proportions in India as is evident from the following data, presented in the Annual Report of the Registrar of Newspapers, 1961.

"The analysis of the ownership of newspapers in relation to their circulation shows that there was an increase during 1960 in the concentration of newspapers under common ownership as represented by chains, groups and multiple units and the circulation commanded by them."

A chain means publication of more than one newspaper under common ownership from more than one centre.

A group means publication of more than one newspaper under common ownership from the same centre; and multiple ownership denotes publication of more than one newspaper of the same title, language and periodicity under common ownership from different centres.

"While the circulation," continues the Report, "controlled by chains, groups and multiple units, represented 30.1 per cent of the over-all circulation of newspapers and periodicals, it was noted that as much as 67.5 per cent of the total circulation of dailies in India came under the ownership of chains, groups and multiple units which among them published 167 daily newspapers."

Out of a total circulation of 46.10 lakhs of dailies in the country, the share of those forming part of 17 chains, 115 groups and 27 multiple units was 31.10 lakhs.

"There were ten owners, representing five chains (Express Newspapers, Times of India Publications, Hindustan Times and Allied Publications, Amrita Bazar Patrika and Jugantar, and Ananda Bazar Patrika), three groups (Malayala Manorama, Free Press Journal and Hindu) and two multiple units (Thanthi and Statesman), which published 37 dailies with a circulation of 18.11 lakhs and thus controlled 39.3 per cent of the total circulation of daily newspapers in the country.

"Taking the three categories separately, dailies forming part of chains commanded 34.7 per cent of the total circulation of dailies, those belonging to groups 23.8 per cent, and those coming under multiple units 9 per cent."

It will be seen from the above that a large part of these newspaper chains is directly controlled by the Big Business groups which exercise a large measure of control over the country's economic life. For example, The Hindustan Times and Allied Publications represents Birla's interest, The Times of India publications are controlled by the Sahu-Jain combine and The Statesman is the official mouth-piece of British finance capital entrenched in the eastern region of the country.

—*Dipika*, Bombay, November, 1961

Banking in India

Commercial banking in India has indeed gone ahead in recent years. The aggregate deposits held by scheduled banks in 1935 when the Reserve Bank of India began to operate were about Rs. 216 crores ; this increased almost ten times to Rs. 2,136 crores in 1963.

What is more significant is the fact that over these years the process of concentration has led to the emergence of about a dozen banking institutions dominating the entire industry.

According to the latest *Statistical Tables Relating to Banks in India*, (1963),during 1963 there was a total of 247 banks holding an aggregate deposit of Rs. 2,591 crores. Of these, 168 small non-scheduled banks accounted for an aggregate deposit of Rs. 33 crores only. In other words 68 per cent of the total number of banks was responsible for about 1.3 per cent of the total deposits only.

In recent years, the nationalisation of the *Imperial Bank of India* (transformed into the *State Bank of India*) and the affiliation of the State Banks of the former Princely States with it have created a public sector in this industry. The total deposits held by the State Bank of India and its seven subsidiaries in 1963 amounted to Rs. 754 crores or about 29 per cent of the total deposits of the banking system.

There are 14 powerful foreign banks operating in this country which accounted for an aggregate deposit of about Rs. 292 crores. It was, however, 57 Indian private scheduled banks that held the lion's share in the business and accounted for an aggregate deposit of Rs. 1,512 crores or about 58 per cent of the total.

Big Thirteen

Of these private banks, however, 13 big banks, with deposits of over 25 crores each, held an aggregate deposit of about Rs. 1,308 crores or over 86 per cent of the total deposits held by all the Indian private banks. Of these 13 again, five super-gaints with deposits of over Rs. 100 crores each held an aggregate deposit of about Rs. 857 crores and thus accounted for about 57 per cent of the total. It goes without saying that their share in the total banking business more or less corresponded to the same pattern. The table below gives the details of the 13 top private banks in the country.

Private Indian Big Banks in India—1963

(In Rs. crores)

	Name	Deposits	Loans & Advances
1.	Allahabad Bank	65.48	40.11
2.	Bank of Baroda	140.09	86.52
3.	Bank of India	169.22	111.50
4.	Canara Bank	71.94	30.70
5.	Central Bank of India	244.28	153.93
6.	Dena Banking Corporation	58.29	29.01
7.	Indian Bank	48.28	27.10
8.	Indian Overseas Bank	40.23	15.26
9.	Punjab National Bank	186.29	98.98
10.	Syndicate Bank	44.80	22.92
11.	Union Bank of India	50.61	21.83
12.	United Bank of India	71.17	41.80
13.	United Commercial Bank	116.97	56.24
	Total	1,307.65	735.90

It should also be noted that about a dozen banks, under the control of top big business houses, have come to acquire a hold over public savings of such dimensions with very little investments of their own. According to the the RBI's publication, on an average the capital and reserves of the Indian scheduled banks constituted about 4 per cent only of the total deposits held by them.

Mr H. V. R. Iengar, the then Governor of the Reserve Bank of India, said in 1960 :

"One of the structural features of Indian banking is this concentration of power which, in some cases, is enormous in relation to the capital actually employed. From time to time, we come across cases in which a family or group has a controlling interest in a bank and it has become a major task of inspection to prevent the exercise of this interest in undesirable ways."

Speculative Investments

The RBI's latest *Report on Currency & Finance* (1963-64) says : Advances against seasonal commodities such as paddy and rice, groundnut, raw cotton, raw jute, vegetable oils, sugar and gur, as well those against cotton textiles, shares and unsecured advances recorded increases larger than in the corresponding period of 1963......"

Again :

"Bank advances against these commodities (paddy, rice, wheat and groundnut) were growing in the context of the tight supply position in the market and rising prices, indicating thereby that bank finance was aiding speculative holding of stocks .."

It is against this background that the demand for the nationalisation of the banking industry is growing.

—*Now*, Calcutta, November 6, 1964

Nine Lives

The managing agency system seems to be blessed with nine lives. The storm that it weathered during each successive amendment to the Companies Act would have proved fatal to many a social institution. Though condemned under the latest omnibus amendment in 1956, the system is enjoying periodic reprieves. Even after a categorical announcement by the Union Finance Minister, Mr. T. T. Krishnamachari, about its final abolition, the end does not seem nearer.

Soon after his public statement, a committee of Economic Secretaries set up by the Union Government recommended a phased plan for the abolition of the system. The committee suggested that, first, the managing agents whose tenure of appointment was due for renewal in 1965 should not be granted the normal five-year tenure so that the period of their re-appointment expires with the close of the Third Plan.

Secondly, those whose terms of office are due for expiry in the course of 1966 should be told in advance that they would not be granted a further renewal.

Even after collecting all the relevant data and analysis, the Government of India has set up a fresh panel of another set of top bureaucrats to go into the same old question once again. It may not be a mere coincidence that the Federation of Indian Chambers of Commerce and Industry (FICCI) has lodged a strong protest against the move to abolish managing agencies.

Much is made of the fact that the total number of companies under managing agencies has come down from 5,055 in 1954-55 (i.e., before the enactment of the present Companies Act). to 1,455 in 1963-64. But these surviving units represent the cream of the managing agency system and continue to control a preponderant share of vital industries. Over 85 per cent of

the paid-up capital of vegetable oils and dairy products, electric generation and supply and railway equipment industry are under the control of managing agents. The corresponding shares in rubber, sugar, textiles and paper and paper products are about one-half.

What is perhaps more significant is that the proportion of the paid-up capital of the industries as a whole controlled by the managing agents is invariably larger than that of the total number of companies under their management. This underlines the fact that by controlling bigger units, the managing agents are in a position to exercise a dominating influence over the respective industries.

Spokesmen of the managing agency system seem to be speaking with two voices, On the one hand, they seek to emphasise the declining importance of the institution in terms of the fall in the number of managed companies ; on the other, they draw a frightening picture of the economic consequences if this pillar of monopolistic formation in India is tampered with.

Now, Calcutta, January 15, 1965

Section Three

FOOD AND AGRICULTURE

Imports of American Food

"The US Agricultural Department records show that 8,36,000 long tons of wheat, flour and grain sorghums—*much of it at below world prices*—were procured by India in the United States in the period from July, 1950 to March, 1951."

A recent issue of the *American Reporter*, the propaganda-sheet published by the U S Embassy in Delhi made the above claim of the USA's being not only the chief, but also the *cheapest* source of Indian foodgrains imports. A similar claim was also made by the US Consulate in Calcutta and published in the local press.

Obviously every Indian would be interested to know if this is really so. The Famine Minister Sri K. M. Munshi, however, told the Indian Parliament on May 22 last that the publication of the relevant data on this question was not desirable. In whose interests, Munshiji did not care to explain !

Some of the New Delhi *burra* sahibs, it seems, did not get the cue aright. Two days later "it was learnt from the official sources", reported the PTI correspondent from New Delhi on May 24, "that the prices of *Chinese and Russian* foodgrains India will get are *slightly less than the comparative prices elsewhere.*"

Neither Munshiji nor his friends in the American Embassy have contradicted the above.

Though Munshiji has seen to it that the people of India may not know the comparative prices of food imports in 1950-51, he has, however, not taken care to withdraw from

circulation already published statistics for the previous years. The following figures worked out from the data published in the latest issue of *Bulletin of Food Statistics* throw a revealing light on America's claim of being the *cheapest* source of our food imports.

Average Import Price of Wheat Per Ton (Rs.)

Year	*U. S. A.*	*Australia*
1946	328.3	268.3
1947	393.4	375.0
1948	374.9	407.7
1949	381.4	338.9

It will be seen that except for the year 1948, the American price was always higher than the Australian. To be more specific, in 1946, it was higher by Rs. 60 per ton; in 1947, by Rs. 18.4; and in 1949, by Rs. 42.5.

In the four years from 1946 to 1949, we imported from the USA a total of 15,45,000 tons of wheat at a total cost of Rs. 57.76 crores and 1,92,000 tons of wheat flour at Rs. 9.12 crores. The average price per ton of US wheat and wheat flour was Rs. 366.6 and Rs. 475.0 respectively.

The corresponding figures for our imports from Australia are 19,48,000 tons of wheat at Rs. 69.87 crores and 3,45,000 tons of wheat flour at Rs. 16.20 crores. The average price of Australian wheat and wheat flour per ton is Rs. 358.7 and Rs. 469.5 respectively.

Let Henderson Brief His Minions Better

The above figures from the tables published by the Government of India show that between 1946 and 1949, Australia provided us with 3,73,000 tons of wheat and 1,53,000 tons of wheat flour more than the USA and *at much lower prices*. Calculated in terms of the Australian prices, the U.S. grain monopolists reaped super-profits of Rs. 1,24,42,500 and Rs. 8,41,500 through the wheat and wheat flour deals with India respectively. This blows up the myth sought to be built

up by the propaganda machine of the US imperialists that the USA is the chief and cheap source of our food imports.

In future, let His Excellency Mr. Loy Henderson exert his undoubted influence with the Government of India to get the Government spokesmen briefed better and also ensure that inconvenient statistical data do not appear in Government of India publications before the lies of the *American Reporter* can be swallowed by the Indian readers.

—*India Today*, Allahabad, July 1951

American Grain and Mrs. Pandit

During the 'colourlul ceremony' of receiving the first instalment of the US food-grain loan, reports PTI-Reuter, Mrs. Vijayalakshmi Pandit, the Indian Ambassador to the USA in an *emotion-filled* speech said :

"By their (USA's) *self denial*, they have helped us in the next stage of our struggle, *namely, economic freedom.*" (*The Statesman*, June 21, 1951)

Well, Her Excellency is grievously mistaken on both the counts.

First, it is not a *self-denial*, as will be evident from the following account of the US wheat position given by none else than Birla's *Eastern Economist* :

The wheat production in the USA in 1951-52 "with an anticipated carryover of 380,000,000 bushels. as on July 1, brings the over-all stock for 1951-52 crop year to 1433,825,000 bushels. Requirements for domestic consumption and a reasonable carryover, it is estimated, will leave a surplus of about 350,000,000 bushels for export." (*Eastern Economist*, July 6, 1951)

So it is clear that it is not at all an instance of self-denial but of the disposing of unwanted surplus which would have otherwise to be sold at cheap pig-feed price.

Secondly, this is not a contribution to our *economic freedom* either. Apart from humiliating conditions, implicit in the US Act, the arrival of the US wheat has immediately led to an increase of Rs. 2 per maund in price, in order to cover partly the estimated loss to the Government from the sale of the US foodgrains. For, the sale of 11 lakh tons of American

wheat, even at the inflated price current in India, would mean to the Government a loss of Rs. 11 crores—such is the cut-throat price extorted by the US monopolists. Further, this deal will keep India tied up with the Wall Street for the next 35 years—the period of the repayment of the loan—over which period we shall have to go on paying an interest of two and a half per cent per annum.

Moreover, with the typical Yankee cynicism, the Wall Street monopolists have acquired through this grain deal the right to spend a part of the super-profits squeezed from us, five million dollars to be exact, in order to shackle us in ideological bondage by bribing our press, etc., for popularising the American way of life, *i.e.*, for lulling our vigilance, the price of our freedom.

They must have already achieved a brilliant initial success in their diabolical plan. Otherwise, how could Mrs. Pandit mistake the dollar chains of the Wall Street for a 'help' to our struggle for economic freedom !

The Embrace of a Boa-constrictor

The *American Reporter*, organ of the US Embassy in New Delhi, reports in its issue of July 11 last :

"A census of direct American business investments in other countries is being taken by the US Commerce Department .. officials expect it to show that the value of these private investments has nearly doubled since 1943 and now amounts to more than 13,000,000,000 dollars."

This means that more than Rs. 5500 crores of American capital is invested in industry, trade, commerce and finance in other parts of the world. Over and above this, there are thousands of crores in 'loans', 'grants' and 'aids' with which the Wall Street *Shahinshahs* have bought up the entire government and got the economy in mortgage in many a country. To mistake the coils of this boa-constrictor for an embrace of love—is it just naivette, or something else !

—*India Today*, Allahabad, August 1951

The Road to National Bankruptcy

India's balance of payments position is fast detereorating. Compared to the deficit of Rs. 116 crores in the half-year, July-December, 1951, the deficit in the first quarter of the current year alone is Rs. 103 crores.

Heavy imports of foodgrains—the bulk of which came from America at a very high price—were obviously the most important cause of this growing unbalance of our foreign trade.

Last year we imported 47 lakh tons of foodgrains at a total cost of Rs. 216 crores, which included the freight bill of Rs. 40 crores. In the five months, January to May of the current year a further quantity of 23 lakh tons were imported costing over Rs. 100 crores.

Thus even the provision of semi-starvation rations for the famine-ridden people is hastening national bankruptcy.

Boundless Greed of U S Food Sharks

In October last the National Shipping Authority of the U.S.A. imposed an increase ranging from $ 3.50 to $ 4.50 in the freight rate for carrying grains to India. (*The Statesman*. Calcutta, October 14, 1951)

Now the Wall Street traders in human misery are trying to increase the price of wheat. The 46-nation conference which met last month to renew the International Wheat Agreement, scheduled to terminate on July 31, 1953, broke up in disagreement over the American demand for increase in price.

Of the total annual exports of 27.6 million tons of wheat in the capitalist world, the U.S.A. and her appendage, Canada, export 12.7 and 7.8 million tons respectively, *i.e.*,

these two countries together are responsible for about 75 p. c. They along with Australia and France comprised the four exporting countries at the Conference while the remaining 42 participants including India were all importers

"Potential buyers of wheat", reports the Special Correspondent of *The Statesman*, "felt that the wheat prices were likely to fall. The exporting countries on the other hand *demand a substantial increase in prices.* The gap between the two was unbridgable." So the conference ended in failure.

If India is not to surrender to the Wall Street profiteers, she must explore the alternative sources of food imports.

Simultaneously steps must be taken for increasing the home production. If the 10 miilion acres that have, according to the admission in the Five Year Plan (p. 76), passed out of cultivation during the Congress Raj due to police action in Telengana and anti-kisan policies of the landlords all over the country, can be brought back under cultivation, then, even at the current diminished rate of average yield, an additional production of more than 6 million tons can be raised. This would more than close the present food gap.

—*India Today*, Allahabad, July 1952

International Wheat Profiteers

In our last number we reported about the deadlock in the International Wheat Conference due to the USA's insistence on higher price and warned against India's surrendering to the wheat profiteers. Yesterday's *Statesman* carried a despatch from the London *Times* which shows the way wind is blowing.

"The importing countries led by the UK," reports the City Editor of the *Times* "take the view that the current maximum price of \$ 1·80 a bushel should be the starting point of any discussion on future prices. The USA as the chief exporting country would prefer a range from a minimum of \$ 1·90 to a maximum of \$ 2·50······

"Several proposals have been put forward to bridge the differences between the views of importing and exporting countries ····The most promising basis of compromise so far has been on the lines of the present method of fixing a specific maximum price for the duration of any new agreement, say, \$ 2 *a bushel*······· Any such maximum would *clearly require a concession on the part of the importing countries...*"

The compromise proposal mooted out 'requires concession on the part of the importing countries' of which India is one of the foremost. While a slump has set in bringing down the prices of all agr'cutulral produce in the colonial countries, the Wall Street monopolists are conspiring to raise the price of wheat, because they think a hungry nation has no choice.

But we have a choice. Let us send food delegations, instead of half-hearted correspondence from New Delhi, to Pakistan and China, Soviet Union and other democratic and humane countries and raise the production at home by enlisting the co-operation of the peasantry through relieving their distress. Then we need not surrender to the Wall Street hoarders.

Land Distribution Again Shelved

The mountain in labour has delivered of the proverbial mouse. "After a discussion lasting 12 hours on the sole topic of land reforms," reported the Special Correspondent of the *Statesman*, "the Congress Working Committee is stated to have come to the conclusion that the proposal of land distribution should be shelved for the present." (*The Statesman*, June 30)

The *Statesman* report did not disclose the considerations on which the august body of the Congress bosses decided to 'shelve' the proposal of land distribution. But it is no secret. The reasons are clearly stated in the report of the Planning Commission presided over by the Congress President, Nehru himself.

"The distribution of land," it is stated in the Five-Year Plan, "acquired from individual owners among various claimants—small owners, tenants, and landless labourers—will present numerous practical problems involving *basic social conflicts*........ It is possible that any largescale and sudden attempt to break up existing holdings *may give rise to such organised forces of disruption* as may make it extremely difficult to bring about the very transformation in agriculture which is needed . . ." (Pp. 99-100)

Because democratic land reforms would lead to 'basic social conflicts' and 'give rise to organised forces' of liberated peasants which would sweep away the feudal vampires, our present rulers would rather shelve such proposals and continue to (i) pay cut-throat prices for American wheat, (ii) hasten the bankruptcy of the exchequer through huge deficits due to large food imports, and (iii) allow famine to stalk through the land and take toll of millions of human lives than reconstruct agriculture on a rational basis and usher in plenty and prosperity.

—*India Today*, Allahabad, August 1952

Agriculture and First Five Year Plan

Thanks to the government's publicity machinery, our countrymen have almost learned by heart the total amount of money to be spent under the five year plan in the sphere of agriculture. But what is the inter-relation between this huge expenditure and the solution of agricultural crisis ? For a correct answer to this question, one cannot, however, depend on the arguments and sophistry of the Planning Commission. In fact, the draftsmen of the plan have on many occasions sought to deny the main symptoms of the crisis, far from adopting effective and appropriate measures for its solution. And, this effort is more conspicuous in the final version of the plan published in 1952 than the Draft Outline published in the previous year. Some examples may be quoted below.

The most important and harmful symptom and result of the agricultural crisis in India is the rapid decline in the average yield of land. Even the experts appointed by the British raj had warned about this on a number of occasions. In 1930 the Bengal Provincial Banking Enquiry Committee revealed on the basis of a survey of Bengal that the yield per acre of aman paddy had fallen by 212 lbs. between 1906-07 and 1926-27 ; during the same period the yield of wheat and gram had also declined by 80 lbs. and 70 lbs. respectively. Even the Draft Outline had admitted on page 76 that compared to the period immediately preceding World War II yield per acre appeared to have fallen from 619 lbs. to 565 lbs.

Once the 'disease' is diagnosed to be so severe, the duty to administer highly potent 'drugs' cannot be evaded. This is probably the reason why the Planning Commission was con-

strained to change its findings. In the final report the Commission has given the verdict, relying on some studies by the Food and Agriculture Ministry of the Union Government, that it cannot be held that the yield rate has been declining (Final Report. Ch. 9 paragraph 8-1O).

People acquainted with the state of Indian agriculture cannot but reject this statement of the Planning Commission as untrue and dishonestly motivated.

Another similar example is the Commission's opinion on agricultural debts. It has been stated in the final report (Ch. 16, paragraph 3) that as a result of the various recent legislations, the scope of usury by the landlords, money lenders and rich peasants has been restricted. In other words, the burden of debts on agricultural labour and small and middle peasants has been reduced.

Interested circles have been putting across the same line in a somewhat differently worded form that due to the recent rise in agricultural prices the condition of the peasantry as a whole has improved ; agricultural debts have been considerably reduced.

Basing itself on the various field surveys regarding this question in Madras, U.P., and Bombay States and on the data collected by the Gadgil Committee appointed by the Government of India, the Congress Agrarian Reforms Committee has rejected the above opinion. It has given the clear verdict that notwithstanding the improvement in the economic position of landlords and well-to-do peasantry as a result of the recent inflationary developments, the condition of the mass of the peasantry has deteriorated and the burden of debts on them has increased.

With a view to disowning the responsibility of cancelling agricultural debts the Planning Commission is anxious to minimise their size.

That the Planning Commission has gained in political (more correctly, diplomatic) wisdom in the course of the one year between the publications of the Draft Outline and the final report is clearly revealed in its elaboration of the agrarian question.

In the Draft Outline, the Commission had outright rejected the demand for the redistribution of land. The reasons advanced were that its implementation would lead to 'basic social conflicts' and 'may give rise to organised forces of disruption.' (Draft Outline, pp. 99-100). In short, the Commission had clearly expressed the apprehension that redistribution of land would lead to an agrarian revolution and to the strengthening of the organised forces against feudalism.

This clear statement has been deleted from the final report. Further, promise has been made that a ceiling will be imposed on the *khas* farms of big landlords and jotedars and the land in excess of ceilings would be transferred to others. But there are two 'buts' in this promise.

First, in deciding the ceiling on area of *khas* farms, most of the State Governments have fixed it rather high. For instance, in the States of Bombay, Punjab and Uttar Pradesh the ceiling is 50 acres, 50 standard acres and 30 acres respectively. Besides, there are provisions for extending the *khas* farms in certain cases by evicting the present tenants, So one can easily infer the extent of land that may be available for distribution. Rather, the eviction of a section of cultivators is inevitable.

Secondly, whatever be the extent of distributable land, the peasant has to purchase it for a price, which will be settled more or less on the basis of the prevailing market price. Only, instead of outright payment, payment in instalments will be allowed.

In this, the Planning Commission has perhaps been guided by the recent tenancy legislation in the Bombay State. If

really so, the situation is hardly alluring. Because, according to the provisions of the Bombay Act, payment of rent has to be continued till the last instalment of the purchase price is deposited. This provision is so strange that the organ of the Indian Society of Agricultural Economics, an organisation of teachers of economics and bureaucrats has commented that "it seems to be a queer hire-purchase scheme in which the buyer has to pay rent over and above the instalment".

So, even if the Commission is able to collect some distributable land, very few peasants will be in a position to effect the purchase at the high market price or by paying rent over and above the instalment.

A study published in the *Reserve Bank of India Bulletin* reveals that the schemes for the abolition of zemindary in States in pursuance of the general principles laid down by the Planning Commission will involve the payment of Rs. 414 crores as compensation to the landlords. If this is the figure for seven States only, then the total for the entire Indian Union will undoubtedly be near about the neat sum of Rs. 1,000 crores. This is not all. So long the decision was to make a part payment of compensation in cash and issue non-negotiable Government securities for the balance The final plan report has, however, proposed to convert the amount of securities into shares of the Central Government's various industrial projects. (Ch. 12, paragraph 8).

In other words, the erstwhile zeminders would now be made the owners of Sindri Fertilisers, Chittaranjan Locomotive, or Damodar Valley Corporation. It is not at all difficult to understand the reactionary significance of this proposal. On the one hand, it will ensure an increasingly higher rate of dividends to the ex-landlords instead of fixed return from the Government securities ; on the other, the link-up between the state and feudal interests will become closer.

In contrast to the official bounty to ensure higher incomes to the landlords in the name of abolition of landlordism,

there is no proposal to relieve the burden of rents on the kisans.

The U.P. Act, which is held as the model of land reforms legislation under the Congress *Raj*, provides for some relief to the *bhumidhar* stratum, i.e., the ex-landlords with ownership rights in *khas* farms and the section of affluent farmers who will be able to purchase the *bhumidhari* rights by paying 10 to 15 times the annual rent of the land, but 68 per cent of the peasants will have to continue the payment of rent at the old rates. It is worth mentioning here that even the Land Reforms Committee set up by the Congress Government in U.P. had recommended a reduction of six annas in the rupee of rent.

So far about the poor and middle peasants who own some land. For the landless labourers, there are only honeyed phrases. In the operative directions following a long preamble, the Commsssion has asked the State governments to implement the Minimum Wages Act only in the regions and with respect to the specifie categories of work where they consider it feasible to implement. In other words, there may be some changes as tokens of 'good intentions' in some small and isolated pockets, but, needless to say, there will be no improvement in the sub-human conditions of the vast masses of agricultural labourers of India.

The final report of the Commission lays considerable emphasis on the cooperative movement. State governments have been advised to enact laws providing for the setting up of cooperative farms embracing the whole area, even in the face of opposition from a section of cultivators, if the majority of the farmers in any area owning at least one half of the cultivated land of the area demand so. If and when this law comes into operation, ex-landlords and jotedars will be able, by pressurising or enticing a section of peasantry, to swallow other people's land. Needless to say, this cannot help extend voluntary cooperation ; it will only intensify the class conflicts in the rural areas and create conditions of civil war.

Thus, the proposals of the [first] five year plan do not aim at removing any of the root causes of agricultural crisis ; rather they will contribute to the deepening of the crisis in many ways.

If the picture is so bleak from the point of view of agrarian question and class relationships, it is no brighter from the point of view of agricultural production.

The Commission banks on the increase of production through an extension of irrigation and use of fertilisers. But it is bound to suffer disappointment. The reasons are :

[i] Because of the high prices of equipment and fabulous salaries paid to the socalled experts imported from Anglo-American sources and various corruptions and wastage prevalent, the government is having to make an enormous outlay. As a result, the price they are or will be charging for Sindri fertiliser or Damodar Valley project water will be beyond the paying capacity of the mass of peasantry.

[ii] There is no prospect that the burden of rent and interests on the peasants will diminish ; on the contrary, the incidence of taxation on them has been increasing—for providing the finance for the five year plan.

[iii] As a result of the setting in of a recession in the capitalist world and of the machinations of Anglo-American imperialists, the prices of India's cash crops are falling fast,

Under these circumstances, it is the destitution of the mass of the peasantry that is increasing. It will not be possible for them to make a larger outlay for the inputs of fertilisers and water.

Hence, even if the targets of government expenditure under the plan are fully achieved, agricultural production will not be appreciably stimulated.

(Translated from the original published in the Bengali monthly MUKHAPATRA, April—May, 1953. The quotations also are re-translated from Bengali)

Procurement Problems In West Bengal

West Bengal's Chief Minister, Mr P. C. Sen is justified in claiming that the State is setting the pace for the country as far as the handling of the food situatian is concerned. West Bengal, it will be recalled, was the first to introduce rationing in the Greater Calcutta area at a time when many, not excluding the Union Food Ministry, felt that such a step was risky.

It has taken about a year for administrators in the rest of the country to decide upon rationing in cities with a population of a million or over. West Bengal's latest move—monopoly procurement of the State's rice and paddy crop—is immeasurably bolder. On its outcome depends not only the consumption of the State's population in the coming year but also the trend of production in the years to come. Hence, this policy and its operational details deserve the closest examination.

In broad outline, the new policy calls for procurement of 15 million tons, or 85% of the marketed surplus, out of the State's total output of about 49 million tons of rice. This is to be accomplished by the banning of private wholesale trade, imposition of a 100% levy on some 700 rice mills, strict control of husking machines, and finally levies on a graduated scale upon farmers with holdings above a low minimum.

Enormous Task

The dimensions of the task the State is taking upon itself is evident from the following figures, West Bengal has 37,000 villages, over 14 lakhs of producing households above the exemption limits set for levies, and nearly 35 lakh rural families

to be supplied at varying scales. The 700 rice mills with a production capacity of about 750,000 tons are strategically important collection points.

Since the Government has quite rightly prohibited them from purchasing in the interior markets—this is necessary to eliminate competitive bidding against the State—it will be unreal to expect large quantities of paddy to be brought to the mills. The Government must, therefore, have at its command the necessary machinery for mopping up the marketable surplus from, to put it mildly, not very willing producers at all the many points where paddy is marketed, and then to move the grains at the right time and in the right quantities to match demand. It does not need great foresight to realize that this mechanism cannot be set up within the space of a week or two, as the West Bengal Government apparently expects to do.

Foreign Examples

Although State monopoly in the foodgrains trade obtains in such countries as Australia and Canada, one has to go back to wartime Leninist Russia to find a closer parallel to West Bengal's present adventure. In Australia and Canada agriculture is an organised large-scale industry, embracing in absolute terms a smaller number of persons and producing a surplus over national consumption.

Atomised and stagnant agriculture accompanied by the large demands of a war-economy, and the extreme distortion of the market mechanism in the wake of growing shortages were common in the early days of the USSR as they are in India. Even though Lenin had the advantage of an organized production base, represented by approximately 3,536 state farms, 1961 agricultural communes, and 3,696 agricultural artels. i.e. cooperative farms, Lenin had to second "every tenth or every fifth person" from among activists to the Food Army who were sent to the countryside to help in the collection of grain levies.

Difficulties hardly ended there. He received reports that the detachments sent to collect grain were "taking to drink", and were themselves becoming "moonshiners and robbers" under the corrupting influence of kulaks. As a countermeasure. Lenin insisted on a guarantee given by the factory committee, or by the trade union organization, or by responsible representatives of Soviet organizations, of the personal honesty and revolutionary discipline of every candidate for the Food Army. He also recommended shooting on the spot for any delinquency on the part of the food cadre.

In contrast, the West Bengal Government expects to achieve its target with the help of the rice millers, traditional wholesalers, rechristened direct procurement agents supervised by a bureaucracy-cum-police not particularly noted for its incorruptibility, and finally, inspired by the rural Congress cadres, drawn largely from among rich peasants. And incidentally. Lenin and his fellow members of the Politbureau scrupulously shared the same black bread on the same scale as the semi-starved population,

Apart from these general considerations, the handling of food distribution at the Central and State levels is hardly calculated to inspire confidence. The latest (41st) Public Accounts Committee's report to the Lok Sabha took the Union Food Ministry to task for the 'scandalous' loss of Rs 1.21 crores in the handling and transport of foodgrains, and described the system of work, as one in which 'contractors exploited and officers connived.' At the West Bengal State level, the Audit Report for 1965 highlighted the disappearance of about 100,000 quintals of foodstuff worth about Rs 44 lakhs from Government godowns.

It must also be recorded that West Bengal's pace-setting in distribution is not matched by vigour on the food production front. According to a study by Messrs B. S. Minhas and A. Vaidyanathan the annual rate of growth of agriculture in West Bengal between 1951-54 and 1958-61 (three-yearly averages) was the lowest in India at 0.21%, far below the all-India average of 3.57%.

Low-Growth Rate

This very disappointing growth rate conceals an annual rate of decline of 0.11% in yield Against this background the failure of the West Bengal Government's Grow-More-Food programme is all the more alarming. Against the target of reclaiming 56,000 acres to boost food production, only about 14,000 acres had been reclaimed during 1963-64 while only 97 tubewells were sunk out of the 632 deep tubewells provided for in the year's programme.

The West Bengal Government must realize that if production does not get a boost, tinkering with distribution will be increasingly ineffective. From this angle. nothing is more relevant than the price offered for farm produce.

From the graduated scale of levies, it appears that the Government intends to allow a certain margin above a family's consumption requirements for sale in a free retail market. The only restrictions are that the retailer must not hold at any time a stock of over one quintal and must not sell more than 10 kgs. in one transaction. As there is no price restriction for these, sellers will be free to charge whatever the market can bear. This is obviously a reward to producers for parting with the levied quantum at prices set by the Government, varying between Rs. 14 and Rs. 16 according to quality.

These prices have been widely criticized as being too low. In support of its decision, the Government has cited the Report of the Agricultural Prices Commission. If one is not mistaken, the Commission's report has not yet been officially released, making it impossibie to judge the merits of its recommendations. It is also not known whether the body has recommended a set of prices or only the methods for arriving at it at a particular point of time. If the former, the Commission presumably based its findings on old farm management studies, which have in the meantime lost some of their relevance. If the latter, the West Beegal Government could

afford to shed more light on the methods of calculation and their actual application.

In any case, with the price of coarse rice presently ruling at about Rs. 2 per kg. in the open market, and with the prospect of greater scarcity conditions in the coming year constantly underlined by the Government itself, the prices offered are far from attractive.

Whatever be the success of the Government's procurement drive this year, it follows that the impact of low prices on the next harvest will be anything but beneficial. Attention may be drawn to the Minhas and Vaidyanathan study mentioned before which shows that between the two three year periods referred to [1951-54 and 1958-61] the proportion of acreage under all food crops—rice, wheat, other cereals and pulses—registered a marginal decline. The Government must realize that a disincentive price must tip the balance even more against food crops, the effect of which will be to aggravate the State's already serious food deficit.

It has just been stated on behalf of the Government that it hopes to procure nearly 500,000 tons from small peasants who rush into the market immediately after the harvest. If this estimate is anywhere near correct, it should not have been necessary to impose a levy on all producers to get the balance of a millon tons that the Government aims to procure.

About 2% of households own or operate holdings of 10 acres and over. This top stratum accounts for a third or more of our cultivated land. Even if the question of the relative efficiency of larger farms is kept open and if all farms are taken to be of the same productive efficiency, this top third of farms can safely be presumed to have produced one-third of the total output of the 49 millon tons, i.e., 16 millon tons (assuming that the crop pattern is the same irrespective of the size of the holding).

By efficient and strict handling of this relatively narrow stratum numbering about 2 lakh families, the Government

should be able to collect the remaining million tons. This would make for operational economy, and thus improve the chances of success, but what is more important, it will eliminate the danger of all rural classes uniting under the leadership of the rich peasant against the Government's procurement policy.

—*The Statesman*, Calcutta, December 12,1965

SECTION FOUR

WAR AND BIG BUSINESS

Korean War and the Indian Big Business

"Reactions to the MacArthur affair have furnished an interesting study in investment psychology everywhere, more than that in Calcutta......

"For the whole of Thursday, the market was in the grip of a *morbid fear that peace might break out at any moment.* But on Friday morning there were more *reassuring advices from New York... Happily*, all the facts in the situation go to show that, irrespective of the chancy fortunes of individual soldiers, *rearnament and collective security are geared to long-term objectives.*"

(*The Statesman*, April 16, 1951 ; emphasis mine—A.R.)

The dismissal of the megalomaniac General who was openly conspiring to shower atomic death on the Asian soil and plunge the world in a third global war, brought a sigh of temporary relief to the people of India and the world and strengthened their hope for the re-establishment of peace in Korea. But the same development led to a totally different reaction in the Big Business circles in India. As the mouthpiece of the British finance capital in India put it with a cynical frankness, they were in the grip of a morbid fear that 'peace might break out at any moment.' And it was only the 'tonic' of advices from the Wall Street that, MacArthur or no MacArthur, war would continue, that restored their :morale.

The desire of the Indian money-bags for the Korean War to continue at all costs has its roots in grossly material things. MacArthur had helped them to mint millons out of the massacre in Korea. That is why his dismissal made them apprehensive about their profits.

Only a few weeks back *The Eastern Economist*, Seth G. D. Birla's mouthpiece, wrote : "A year ago, South and South-East Asia were deficit in both hard currency and sterling accounts. To-day practically every country in that area is a creditor in both..... This is the result of the Korean War........ The stimulus to production and to new capital formation is vast and still unfolding."

Birla's scribe greets the imperialist slaughter of the freedom-loving Koreans as a 'miracle' and rubs his hands with glee in the expectation of a few crumbs from the table of the Wall Street war-profiteers. Sethji himself, a month earlier, had sung the same halleluja to the Korean War.

"Strained political relations," said Sri Birla in his Chairman's address at the annual general meeting of the shareholders of the United Commercial Bank on March 9 last, "and the need for strengthening defences and for stockpiling basic materials have led to a great rise in the price of tin, rubber, copra and other tropical products. This has created a wave of prosperity in South-East Asian countries. Banks in this region are working to the fullest capacity. I am glad to say that your bank's branch at Penang, by virtue of its equipment and capacity to serve is at present rendering good assistance to the economy of that island. Arrangements for opening a branch in Singapore are well advanced and it is hoped that it will start working next month." (*Capital*, April 5, 1951)

The war in Korea has not only given the Big Business in India the scope for unbridled profiteering within the country, but it seems to have given it an opening for extending its tentacles beyond the borders also.

D. D. Romer, Chairman of the second biggest bank in India and a colleague of J. R. D. Tata on the board of so many Tata subsidiaries expressed himself in similar terms on the same date as G. D. Birla. "The start of the Korean war", he said, "overnight changed" the situation and ushered in a

period of unprecedented boom at a time when "problems of accumulating surplus......appeared to create a severe situation." *(Ibid)*

In fact the muster bugle sounded by Truman and MacArthur served as a signal for a campaign of loot by the profiteers in India. Even the doctored indices of the Government of India cannot hide this.

According to the Economic Adviser's data which are based on the fictitious 'official' and controlled prices and not the prices that actually rule, between August 1950 and the first week of April 1951, the general price index shot up to 456.2 from 409.2. In other words, it registered an increase of nearly 10 per cent.

This increased scope for profiteering was reflected in an all round boom in the depressed stock market. Between June 1950 and February 1951, according to the *Capital's* Index, stocks and share prices increased as follows :

Jute from 170·2 to 203·5, or 13·6 per cent.

Coal from 217·9 to 261·6, or 20 per cent.

Engineering from 157·2 to 184·1, or 17 per cent.

The *combined index* of all the shares increased from 182·3 to 218·4, or 20 per cent.

New Spiral of Inflation and Price-increases

This all-round increase in prices and profits gave rise to a new spiral of inflation. Reams of paper money had to be pumped into the economic system to oil the profiteering machine. The circulation of notes increased by Rs. 175 crores, from Rs.1106 crores at October end, 1950 to Rs. 1281 crores in April 1951, or by about 16 per cent. Some specific instances of price increase are quoted below :

"Indigenous zinc oxide was selling in March 1951 at Rs. 3,530 per ton as against Rs. 2,405 in last September." *(The Eastern Economist*, March 9 *)*

"After the Korean conflict there was a scramble for rubber in the world market . . . . Government has decided to increase the price from Rs. 90-8 per 100 lbs to Rs. 122-8, the biggest increase so far allowed to the industry". (*Ibid*, January 1).

The price of cloth has been allowed to increase, even *The Eastern Economist* opines, beyond the expectaions of the millowners !

The government has recently allowed an increase of 25 per cent in freight between the U.K. and India.

But the richest harvest is being reaped by the jute industry. "Competent observers think," reports *Capital*, "that the jute industry is destined to make the largest profits of the recent years . . . . It is estimated that the industry can make a profit of Rs 50 crores in a full year, which will work out to more than 150 per cent on the paid up capital of roughly Rs. 30 crores." (*Capital*, April 5, 1951)

The Sordid Tale of Jute Decontrol

It has been indicated above how the Congress Government in India has been obligingly allowing liberal price increases to big business interests and aiding them, in fleecing the people of India by releasing a fresh round of inflation. But to get a clear picture of the Government's abject surrender to the profit-racketeers, one has to study the history of decontrol of the jute industry and trade,

In the last week of February, *Capital*, the organ of the British finance capital in India, published the following report on the situation in the jute industry and trade :

"Considering the acknowledged fact that there are large quantities of jute stored in Calcutta, this is an anomalous position which requires investigation.

"The first point to be enquired into is who own this jute. According to reports which are certainly credible, a large portion of it is being held by concerns closely affiliated to the

mills in the expectation of selling it to the mills in their own groups if and when controls are removed. Some of it is said to be held by mills themselves through *benami* holders.........

"From what has been written it must be quite clear that even though there is no organisation behind it, there is a definite campaign to force the hands of the government. Call it boycott, blackmail, non-cooperation, or whatever you will, the idea is to compel the government to abandon controls or at least to raise prices so that the hoarders and profiteers can secure their ill-gotten gains.

"The problem, therefore, is whether the government is to submit to blackmail, or if not, how can it be averted. The Central Jute Board is powerless in the matter. It has no control over movement and no powers to enforce procurement ....The Government have the power, but have they the organisation ?"

On behalf of the British jute interests which had secretly hoarded large quantities of jute, their organ was blackmailing the government with none too veiled audacity and openly demanding its surrender. How did the Government react ? Did it depute Rajaji's sleuths to unearth the hidden stocks of the golden fibre and confiscate the lot ? No. On the contrary, New Dehili bowed before Clive Street. The price control on raw and manufactured jute was lifted. Sardar Datar Singh, Additional Secretary, Ministry of Food and Agriculture, Goverment of India, unblushingly acknowledged the defeat. In a meeting of the Central Jute Committee held in Calcutta on March 30, 1951, he confessed that "substantial quantities" of jute "had gone underground" and "price control had become inoperative", so it "had to be abandoned". Such is the simple logic of the political economy of our rulers.

"Though prices have shot up," Sardarji continued, "both trade and industry are showing healthy activity for the benefit of each other". That is, the Big Business is reaping high profits—this is the consolation of the Government of India.

Jute bags are required by all the branches of trade and industry. Because of higher jute prices they would have to incur higher costs for storing and transporting, which they in their turn would pass on to the consumers. All this does not matter to the Government. They are content if the jute industry and trade show 'healthy activity for the benefit of each other" and earn super-profits. One shudders to think about the result of applying the same logic to other and more vital necessities of the people.

But it would be shortsightedness to overlook the Government's own share in the loot. They have to provide for the upkeep of the army, police and the highly expensive bureaucracy. So, simultaneously with the decontrol. they increased the export duty on the jute sacking from Rs. 150 to Rs. 350 per ton. Even before, the Government had raised the export duty on jute manufactures. The following table shows the financial result of the previous enhancement.

Yield from Jute Export Duty

(Rs. '000)

	1949	1950
September ...	40,74 ...	94,18
October ...	40,58 ...	79,59
November ...	1,18,63 ...	1,95,46
December ...	1,03,27 ...	3,48,43
TOTAL	3,03,22	7,18,66

It will be seen that the yield in one month of 1950, namely December, was higher than the total of the four months from September to December in 1949. The total of the 4 months from September to December 1950 is about two and a half times that of the corresponding period of 1949.

An interesting sidelight is thrown by the developments in the jute trade on the relation between the profit and the patriotism of the Big Business.

"All those connected with the Jute interests in the UK", reports the correspondent of the *Capital*, "consider, they have had a pretty rotten deal from India. For many years they have been the second best customer for jute cloth and now that there is an acute scarcity throughout the world, India is taking advantage of selling to dollar markets or where they can get the best value for their jute goods." (*Capital*, April 12, 1951).

It is well known that more than 80 percent of the jute trade and industry are under the control of the British managing agency houses in India. No more comments are necessary.

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The war in Korea has brought about the scope for unrestrained profiteering to the Big Business circles in India—both British and Indian. So naturally they are afraid of the slightest hint of the "breaking out of peace" in Korea.

The war in Korea has meant increased privations and misery for the people of India. So, naturally, they demand restoration of peace in Korea as speedily as possible. That is why the vast masses of people heaved a sigh of relief at the dismissal of the arch-war-criminal Mac-Arthur. This is how the issue of war and peace is posed by the real situation in India.

—*India Today*, Allahabad, June, 1951

War Tension Essential for Good Business

"The Calcutta Stock Exchange showed considerable weakness today on account of the *fresh peace moves* to settle the Korean conflict, and with the selling pressure developing in all sections of the market, a *marked recession* in rates set in." (*The Statesman*, June 26, 1951)

"*Bombay*, June 25, – The Russian peace appeal took the Stock market by surprise......

"Fears of falling commodities in the event of a sudden end of the war in Korea unnerved speculators and prices all down the line declined steeply in hectic dealings." *(Ibid)*

"The Russian peace feelers over Korea last week-end resulted in a sharp reaction in the sentiment and some precautionary marking down of prices not merely on the Calcutta and Bombay stock-exchanges, but in the *world's market as a whole*. By the same token, *mounting tension in .Persia* in the middle of the week produced a mild recovery." *(Ibid, July 2, 1951)*

The above quotations from *The Statesman* Market Reviews speak for themselves. End of Korean war means a deadly threat to the supper profits of the Big Business in India as much as in the other parts of the world. If they are forced to talk 'peace' in Korea to day, tomorrow they must light the fuse of war in some other parts of the world. If there is a parley for cease-fire in the Far East, there has to be a 'mounting tension' in the Middle East, in order to 'produce', if not a boom, a 'mild recovery' at least. If you are inclined to take it as a slander against Big Business, then listen to further evidence of *The Statesman*, the most authoritative mouthpiece of British finance-capital in India :

"One of the odd things about a stock exchange.........is that any move which seems to assure a more peaceful future to the human race is received as a bearish and depressing influence upon prices. It is in fact a development of the last twelve years, in which period we have come to regard war und near-war conditions as more or less normal." (Ibid)

Even its own apologist cannot deny the depth of decadence reached by the present-day imperialist system when the prospect of a more *peaceful* future to the *human race* has become inimical to the interests of Big Business and *war or near-war* conditions have become the more or less *normal* environment for its existence,

Birlaji's sabre-rattling

It is only against the background of the above developments that one should judge the following sabre-rattling by the mouthpiece of Seth G.D. Birla. In a leading article entitled 'Prepare', *Hindustan Times* writes on July 6 last :

"They (the GOI and Kashmir administration) will accept the challenge when it comes and *wage war* on both the western and eastern fronts with all their might. If as a result of the clash Pakistan goes up in smoke......

"The country must be prepared from now for all eventualities and *its economy geared to the requirements of defence* ......This is a time when the voice of controversy must be hushed......"

Whatever the crimes of the Pakistani ruling class, Birlaji's game should be clear to all. If the fighting ceases in Korea and the war in Iran does not come off, the third base of the Big Business super-profits must be built up by creating near-war conditions over Kashmir. To be more specific, Birlaji's mouthpiece demands (i) 'economy geared to the requirements of defence', *i.e.*, fat military contracts, financed by increasing circulation of paper money, leading to ever-rising price and profit level, and (ii) 'voice of controversy must be hushed' *i.e.*, the clamping of the growing popular discontent with the iron grip of a police state.

—*India Today*, Allahabad, August 1951

Rs. 138 for Every Living Soul on Earth

Though the most powerful of all the the big powers, namely, the World Peace Movement, has forced the mighty Wall Street war-lords to talk 'peace' across the conference table at Kaesong, they have not given up their plans of unleashing a new world war. On the contrary, the *war preparations* and *armament drive* of the American monopoly capital are gathering new momentum.

"Our total security programme costs", says President Truman in his mid-year economic report to the US Congress, "have now reached an annual rate of 35,000 million dollars" and "are scheduled to increase to an annual rate of 50,000 million dollars by the end of this year and to nearly 65,000 million dollars by the middle of 1952." (*American Reporter*, July 25).

So, in about 10 months from now, the Yankee war-mongers would be spending at the rate of 65,000 million dollars or more than 27,625 crores of rupees per year—for tanks, guns, atom bombs, etc. Taking the world population roughly at 200 crores, it would mean more than Rs. 138 for every man or woman, old or young.

If only this vast amount of wealth—created by the labour of millions of toiling people—were devoted to improve the living standards of the toilers themselves! But then imperialism would cease to be imperialism. And it is not only imperialism, but imperialism in the grip of acute, insoluble contradictions, which is running the show in the USA, That is why the American workers who are producing at a rate, which if put to proper use could have fed and clothed half

the humanity at least, are themselves falling victims to greater and greater privation. This is revealed in the pompous report of Truman himself.

"Prices at mid-year 1951 were *far above* their levels a year earlier......" he says, and "wages continued to rise in the first half of 1951, but at a *diminished rate*." (*Ibid*)

Prices shooting up far above their levels a year earlier, while wages increasing at a diminished rate—this plainly means that *real wages are falling*.

Who then profits by this commerce in death—this expansion of war economy ? Harry Truman with Yankee cynicism gives the reply without mincing matters. "'Profits of corporations,'' he says "are estimated to have reached a new record annual rate of 50,000 million dollars in the first half of 1951." (*Ibid*)

In the interests of the super-profits for the Wall Street monopolists, rob the toiling peoples in America and world over and prepare for plunging the humanity into the maelstorm of a new world war—this is the *leit-motif* of the Truman Administration.

India sends war-supplies to the U. S. A.

Do the people of India realise the extent to which the Gandhian votaries of *Ahimsa* under the 'democratic' and 'socialist' Prime Minister Nehru, have yoked the economy of our country to the war-drive of the American imperialists ? If not, the following appreciation of India's role by the so-called U. S. National Security Council (NSC) should open their eyes :

"........In 1950," the NCS reports, "India supplied the United States with 52% of its jute goods imports, 37% of its imported manganese, 89% of its shellac, and 85% of its mica imports." All these materials, the report adds, are "considered essential to the U. S." *(Ibid)*

The counter-part of this marriage with the Wall Street warmongers is the almost complete isolation from the

democratic, peace economy of the Soviet Union and People's Democracies. "India's trade with the Soviet bloc (!)" NSC reports with glee, "has *declined* in the last year. Official statistics indicate that in the period from April, 1950 to January, 1951, less than 1% of India's exports went to the Soviet bloc countries and about 1% of India's imports originated in such countries." *(Ibid)*

Essential war supplies being shipped to the USA in large quantities and trade relations with the democratic half of the world reduced to the grand figure of 1%. All lovers of peace, freedom and democracy in India should do well to ponder over the significance of this development.

"Continued scarcity of foodgrains and industrial raw materials, with consequent revisions in controlled prices and even abandonment of control or the pursuance of a dual economy in particular directions, along with *imported inflation*, have resulted in a sharp increase in the general index of wholesale prices for all commodities from 384.7 in January, 1950 to 456.3 in June, 1951." (*The Statesman*, Calcutta, July 29)

On earlier occasions we reported instances of Indian Government's lifting control (*e.g.*, jute goods) and allowing liberal price increases (*e.g.*, cloth, cement, iron and steel, etc.) Highly significant is the admission by *The Statesman* that. the closer integration of India's economy with the war economy of the Anglo-American imperialists has led to the 'import' of inflation. All this has forced even the doctored index of the Government of India up by 71.16 points in the eighteen months from January, 1950 to June, 1951.

The index for July would show a further jump, because the first instalment of US food has pushed the price of wheat and rice by Rs. 2/- and -/11/- annas per maund respectively. As long as our economy would remain tied to the apron-strings of the Anglo-American warprofiteers, there cannot be any effective fight against inflation.

—*India Today*, Allahabad, September 1951

Section Five

ON ECONOMICS AND POLITICS OF FOREIGN AID

Lessons of the Black Letter

Progressive India will thank the Tata-USIS Forum of Free Enterprise for the service the latter has rendered to the cause of India's national independence and democracy, unwittingly. We mean the scoop of the letter of Mr Eugene Black, President of the International Bank for Reconstruction and Development (IBRD). This scoop has forced the hands of Government of India and led to the official publication of President Eugene Black's letter and Sri T. T. Krishnamachari's reply to it.

The letter has given rise to a heated debate in India and abroad. While it has evoked a deep indignation among Indians, it is not surprising that big business interests in India, both Indian and foreign, have lined up behind the impertinent President of the International Bank. The *Commerce* (Bombay), the *Capital* (Calcutta), and Mr. A.D. Shroff of Tatas have not only not condemned Black's dictation to India, but even applauded it.

Behind a facade of well-meaning phrases Mr. Black made two demands upon the Government of India. "I should like," he states, "first to emphasize once again my conviction that India's interest lies in giving private enterprise, both Indian and foreign, every encouragement to make its maximum contribution to the development of economy, particularly in the industrial field." This means scrapping the policy of giving priority and emphasis to the Public Sector, as a step towards the socialist transformation of Indian society. Secondly, he demanded a more open-door policy for private foreign capital. "Every effort," said he, "should be made to secure the technical co-operation and financial support of foreign private enterprise in carrying out the development programme."

To achieve the fulfilment of his demands, Mr Black held out a number of thinly-veiled threats. Unless India fell in with the President's dictation, she could expect little help by way of financial accommodation from the Bank. Only on the basis of continued good conduct, the Bank would be favourably disposed to making available to India the requisite funds. "We feel," he said, "that we will have to consider the pace and scale of our further loan operations in India from time to time in the light of economic conditions and prospects and taking into consideration the economic policies which are pursued by your Government."

He states explicitly : "Our disposition to lend would be favourably influenced by the amount of external financial assistance which India obtains without fixed foreign exchange obligations."

In other words, India could secure the blessings of the Bank, over which Mr Black has the honour to preside, only by making the country a hunting ground of foreign finance capital.

That Mr. Black was not giving vent to his individual kinks but was expressing the demands of Wall Street tycoons is supported by the comment made by the *Economist* (London), which suggested that Mr. Black had to be adamant in respect of the above demands in order to persuade the American businessmen that India was a good investment.

Though he pleads in favour of private enterprise, warning under-developed countries against restriction on entry of foreign capital, it seems as if it is an imperialist counter-offensive against the strivings towards economic independence and democratic re-organisation of society that is gathering momentum in the east of the Mediterranean Sea. Look at the Bank's role in Egypt where it has scrapped its earlier agreement to finance the Aswan Dam construction project.

Trojan Horse Inside

It is understandable that *Capital*, the organ of British big business in India, on November 1, 1956, expressed surprise in a leading article that the letter "caused such a fuss". It lent its support to Black's threats of withholding loans by reminding the readers that Mr Black had "behind him the weight of a body of funds which can make all the difference to India's development plans." (*Capital*, Nov. 1, 1956)

Commerce, the journal of Indo-British big business in Bombay, also upheld the right of Mr Black to dictate to India about her internal economic policies and programmes. But Mr A. D. Shroff of Tatas surpasses them all. "I think," he says, "I would take this opportunity of paying my personal tribute to Mr Black for the service he has rendered to India, particularly, at this critical juncture, when we want more realism in the formulation and implementation of our economic policies."

In striking contrast to the outspoken and vehement support to Mr Black given by Indo-British spokesmen, the Government of India has been very reticent in calling the bluff of Mr Black.

It will be pointless to debate about the role or foreign capital vis-a-vis the national development in under-developed countries. The history of 300 years including the latest naked aggression on Egypt by Anglo-French imperialists is enough to expose the character of foreign economic penetration, which was invariably preceded or followed by military domination. The Government of India is guilty not of closing the door but of keeping it too wide open to foreign capital. The following comment by the *Eastern Economist* run by Messrs. Birla Brothers convincingly shows that.

"Indo-British relations, although occasionally subject to ephemeral political strains, are in the economic sphere on a

better footing. British investment in India is still over 80 per cent of all foreign investments in country and exceeds £300 million. Technical and financial collaboration between the industrialists of India and Britain at present extends to about 150 ventures. It covers the fields of motor-car production, tractor, cycles, radios, cables, diesel engines, sugar, jute and textile machinery, electrical machinery, chemicals, dyestuffs and a whole range of miscellaneous items ranging from thread to telephones, from pens to pneumatic tubes, from gramophone needles to cigarettes and electric railway coaches and from glass to oil refineries. The collaboration is not confined to the private sector alone. Only recently a contract between the Government and the Associated Electrical Industries was signed for the installation of a heavy electrical plant. The most important agreement of this type is for the construction of the Durgapur Steel Works to be undertaken by the Indian Steel Works Construction Company, a combine of leading British engineering firms. Other collaboration agreements which come to mind concern the lignite project in Madras State, the Chittaranjan Locomotive Factory and Sindri Fertilizer Factory."

Without Comment

With regard to the accusation of hampering and slowing down the economic development of the country by restricting the private capitalist sector, let us quote the following analysis made in a special article in Birla's *Eastern Economist*. Discussing the prevalent stagnation on the eve of the India's First Five Year Plan, the author said, "The position today, despite the increase into Rs. 554 crores of the paid-up captial of jointstock companies has been one of stagnation which has been the result of a number of factors. The fear of foreign competition is no longer a vital element in staying back further expansion, as the sellers' market of the war years and the import controls thereafter have provided a fairly secure market. Except where other factors like the physical shortages or dearness of raw materials are responsible for lags in production, stagnation is largely due to the prevailing feeling

that there is no market for additional production. That feeling came over textiles last year and there have been heard similar views regarding other industries like cement and sugar. By barely achieving self-sufficiency in the sense of producing enough to meet the demand at existing prices, Indian industries seem satisfied that there is little to do except to conserve the gains using protection, if necessary, even for bare maintenance of the level achieved. This involves an unfortunate abdication of the opportunities that exist in expanding the market by expanding productivity and reducing costs, and feeling like Alexander that there are no more worlds to conquer" (The Course of Industrial Production, *The Eastern Economist,* January 20,1950)

The Black letter has revealed the threat towards Indian independence and democracy. It has roused the patriotic vigilance and exposed the selfish leanings of the Indian big business, which have lined up with foreign imperialist agencies aganinst the national government.

Let us hope that the Government of India would draw its proper lessons.

Dipika, Bombay, December 1956

Foreign Exchange Crisis and Western Blackmail

The problems inherent in the strategy of economic development at present pursued by the Indian ruling class have assumed serious dimensions in the past few weeks. Foreign exchange reserves have dwindled to an unprecedented low level of a bare Rs. 100 crores. The Western 'Aid India Club' has met and dispersed without taking any decisions about the enlarged quantum of aid to India. And, the parleys between the visiting British Minister, Mr Duncan Sandys and the representatives of the Government of India have only served to underline the wide gulf that still divides the respective positions. But one heartening feature of the otherwise gloomy situation is that the Government of India have in the main and on the whole refused to buckle under the steadily mounting Western pressure.

The first two facets of the crisis are closely inter-related. The current Third Plan is based on the expectation of considerable aid coming from the Western countries, which however, has so far failed to materialise. The deepening foreign exchange crisis is the result of the weak flow of foreign assistance, which has been deliberately kept so by the creditor countries.

"Frankly," commented the Birla mouthpiece the *Eastern Economist*, one of the staunchest advocates of pro-Western orientation, "the action of the Aid India Consortium in postponing its decision on the enlarged size of aid to India for the current year has caused keen disappointment in this country. Two months of the financial year have already run out and the few weeks which will elapse before the consortium is reconvened will keep uncertainty hanging,

making it difficult for us to finalise the specific programmes of development for this year and to place orders in time for equipment and materials required for them, since virtually all the loans will be tied to particular projects – even West Germany seems to have made up her mind to depart from her last year's practice to provide enough scope for free use of her credits at our discretion. The absence of untied credits heightens the element of uncertainty in the immediate context inasmuch as we have now no mentionable cushion of foreign reserves to meet the maturing obligations of external payments.

"To put this reality in plain words is certainly not to create a scare that the expansion programmes of the second year of our present Plan stand threatened to be paralysed." (*Eastern Economist*, June 1, 1962)

"The temptation," the journal continued, "would be strong to attribute the indefinite postponement (when time is of the essence of the situation) to extra-economic, or to put it precisely, to political, reasons. Goa, the Kashmir dispute, India's policy on disarmament and other controversial issues at the UN and finally the MIG-21s may be recalled. It would be idle to pretend that these issues have not produced varying adverse repercussions in the different aid supplying countries."

Next week probably on the basis of advice received from its editor, now visiting the States, it was more positive in its diagnosis: "Enquiries show that the phenomenal success of the earlier meeting of the consortium was mainly due to the enthusiasm evinced by the U. S. Administration for India's development Plan. For all practical purposes the U. S. A. had become the 'whip' at these meetings and cooling of its ardour lately—may be due to India's action to liberate Goa or owing to the negotiations which the Government of India is carrying on with the Soviet Union for the purchase and manufacture of MIG Supersonic fighters—has resulted in near disastrous results at the last week's confabulations." (*Ibid*, June 8, 1962)

Faced with these blackmailing postures, the Government of India with obvious dignity has been trying to reduce the country's dependence on foreign aid in the immediate phase. With that end in view measures are being already taken to cut down import and step up exports, to firmly curb the superfluous foreign travel by Indian nationals and to prevent mal-practices by the trade such as under-invoicing of exports.

But what is more significant from a long-term point of view is some indications of a more radical re-appraisal of policies that have come to the fore. For example, at the meeting of the Congress Parliamentary Party held in New Delhi on June 21 last, it was decided to send to its newly elected executive committee a proposal that foreign exchange balances held by the princes should be harnessed for the economic development of the country. Similarly the proposals mooted out by the Federation of Indian Chambers of Commerce & Industry (FICCI) that the import policy should be biased "in favour of machine tools to make capital goods, rather than to import all types of capital goods" represents a welcome change in the approach of the big business leadership. The Federation expects that India can easily work out a plan to manufacture within the country goods worth about Rs. 500 crores, 50% of our total imports.

As yet, however welcome, the indications of re-thinking are too feeble. What is needed to save the Third Plan, and to strengthen the country's economic independence thereby is broadbased, all-out efforts by all sections of patriotic Indians to put their heads and shoulders together with a view to pushing the chariot of India's industrialisation in spite of the spikes planted by the imperialists. Cannot the Prime Minister convene a well represented National Economic Conference on the lines of the national integration get-together ?

—*Dipika*, Bombay, July 1962

Alternatives To Foreign Aid

Even if one agrees with Shri Morarji Desai that "not only will the remaining gap in the current year's need for foreign aid be met, but the entire foreign exchange needed over the (Third) Plan period will, by and large, be available," one should not ignore the pitfalls on the way. Inflow of foreign capital can really become "aid" or "assistance" only under certain specific conditions. In their absence, aid becomes more of a drag or burden.

During the past decade of planned development in India foreign 'assistance' has not been an unmixed blessing. In the case of the private sector, published data on India's balance of payments reveal that between 1949 and 1958 there has been a net outflow of about Rs. 182 crores. In other words, on the average India has had to make out-payments of about Rs. 18 crores a year on account of investment income and repatriation more than what she has received on account of foreign investment in cash and kind.

Interest Rates : With regard to foreign loans from Western countries to the public sector most of them carry an interest charge of above five per cent. A loan carrying an interest rate of five per cent per annum and repayable in 20 years would mean a refund of about 200 per cent of the principal in 20 years' time. Since a period of at least five years has to elapse before the plant can attain full capacity production, it will mean generation of net surplus of more than 13 per cent a year for the remaining 15 years if the debt has to be repaid from the working of the plant itself. The implications af these figures will be obvious if one remembers that "of 43 Central Government Companies, 17 were still in the red in 1960-61 : the rest with a paid-up

capital of Rs. 148 crores earned profits amounting to about Rs. 10 crores or little over six per cent." (*The Statesman*, Calcutta, July 10, 1962)

It is, therefore, clear that foreign loan can be characterised as aid or assistance only if they carry a low interest rate like, say, 2½ per cent as is the case with credit given by U. S. S. R. Otherwise, instead of helping India to move ahead towards the goal of independent development these foreign loans will for a long time remain a halter round the country's neck.

The ideologues of official planning try to make it appear that there are no alternatives to such 'assistance', but that is not correct. It is quite possible for India even "in the context of our democratic politics" to move ahead on her own, provided certain measures are adopted with devotion and determination.

Measures : The central task is to ensure proper utilisation of the mobilised savings, mobilisation of the frozen savings, and the stepping up of the rate of saving. This involves a number of inter-connected measures—none of them very spectacular or revolutionary. They are : (i) drastic reduction of non-developmental expenditure in tne Centra and State budgets, which has in the past decade increased by about Rs. 500 crores, (ii) cutting down of conspicuous consumption by the rich—air conditioners, refrigerators, motor cars, hi-fi radios, construction of palatial buildings, etc., (iii) nationalisation of banks and foreign trade, and some key sectors of internal trade to prevent resources garnered therein from being utilised in speculation and in non-plan investment in private sector, (iv) appropriate increase in and better administration of income taxes, more particularly on agricultural income of the village rich, which at present goes almost scot free, (v) high-power patriotic campaign to mobilise the savings of the middle income population along with a drive for collection of pre-

cious metals in exchange for longterm bonds. The above is only illustrative, not at all exhaustive.

Export Drive : There will, of course, remain the question of converting internal savings into foreign exchange in order to meet our essential imports bill. First, the cut in conspicuous consumption will effect a substantial reduction in our import liabilities by stopping the imports of raw materials and components of those industries. Secondly, the nationalisation of banking and foreign trade will not only stop the present malpractice of over- and under-invoicing in order to build up the private reserves of the private sector, but also will invigorate export promotion drive under one coordinated leadership. The wealth of the Princes having foreign exchange value, either within the country or outside, should also be mobilised in exchange of long-term rupee bonds. Thirdly, a more serious campaign for promoting our exports, more particularly in the socialist and Asian-African countries, should be launched. An analysis of our export performance shows that out of 59 countries which import from us for about a crore of rupees a year, 19 countries only reveal an increasing trend over the last four years. Of these 19, all except Canada, Japan and the USA belong to either the socialist or the Afro-Asian group.

—*Link*, New Delhi, August 15, 1962

Loans and Interest

A propos Mr. Edward J. Joyce's* letter "*Loans and Interest*" published in LINK (September 9).

It will be clear from the text of my article, even from the lines quoted by Mr Joyce, that I was referring to the totality of the loans from all the Western countries and not merely to those offered by the U.S.A. in the very recent past.

From a scrutiny of the account of foreign loans to India given in Annexure XVI to the Explanatory Memorandum on the Budget of the Central Government for 1962-63 (pp. 179-191). I find that out of the 28 loans granted by the U.S.A., U.K., West Germany, Canada and Switzerland, four loans only carried an interest charge of below five per cent. The interest rate of another four loans ranged between $3\frac{1}{2}$ per cent and seven per cent. The remaining 20 loans carried an interest charge of above 5 per cent. Of these 28, the U.S. Government and other U.S. agencies like Export-Import Bank, etc., had between 1951 and 1962 granted nine loans. Of these, three carried an interest charge of below five per cent. In the case of two, the interest rate ranged from $3\frac{1}{2}$ per cent to $5\frac{3}{4}$ per cent and the remaining four loans carried an interest charge of above five per cent.

Another Western source of loans is the IBRD which has, between 1949 and 1961, granted 11 loans to the Government of India. The rate of interest on these loans varies from four to six per cent per annum.

Another source of loans to India is Japan which though not a Western country has some affinity with the West as a mature capitalist country. Both the loans granted by her so far carry an interest charge of above five per cent.

—*Link*, New Delhi, September 23, 1962

* of USAID

Family Pressure

The World Bank family is taking increased interest in the developing countries. Mr Pierre-Paul Schweitzer, Managing Director of the International Monetary Fund, visited India some time ago and had a busy programme in New Delhi and other major nerve-centres. His visit, coming soon as it does after the Tokyo meet, which decided upon larger assistance to the sonthern half of the world, certainly augurs well for India's Fourth Plan. the blue-prints of which are now awaiting final touches.

Mr Schweitzer made certain observations which deserve thoughtful consideration. What merits serious notice is the none-too-subtle reorientation in major policies which he was pressing for.

He not only urged 'the developing countries to frame such policies as to attract foreign investment', but, it appears, he also recommended, in his talk to the Bombay University School of Economics, the channelling of external resources to the field of light manufactures, in which sphere the developing countries are supposed to be better equipped to succeed,

That Indian experience certainly does not lend itself to such an easy generalisation may be besides the point. But, if the main object of planning is to prepare the country for the 'take-off' and if foreign resources are needed precisely to meet the lack of material and intellectual pre-requisites for advance in sectors in which gaps and lags are conspicuous, the fallacies of Mr Schweitzer's well-intentioned advice becomes apparent. The policy on foreign capital enunciated by Jawaharlal Nehru in 1949, which is still held as the official guiding line, very correctly restricted the import of foreign capital to spheres where technical knowhow was absent or

inadequate in the country. Any call for the reversal of this policy will need more substantial justification than what has so far been offered by the IMF Managing Director and other like-minded spokesmen.

In another address, at the Indian Institute of Public Administration, New Delhi, Mr Pierre-Paul Schweitzer advocated increased tax burden in India 'making it clear to the people that development involved a sacrifice of present consumption for future', He also urged the removal of 'political difficulties' whieh prevented the realisation of the possibilities in this field.

This is neither tenable as a generalisation nor applicable in the context of the situation in this country. First, not the present *consumption*, but only a part of the newly created *potential* need necessarily be sacrificed in the interest of growth. In fact, consumption has to rise steadily not only as an incentive to the productive efforts of the nation as a whole but also to equip it physically and intellectually for more advanced tasks. Secondly, it is beyond dispute that planned development in this country has so far failed to bring any relief to the vast majority of the people. Even the laboured calculations of the Mahalanobis Committee could deduce nothing more impressive than an average *per capita* annual rise of one per cent in eonsumption which, because of the highly skewed pattern of distribution, implies stagnation, if not actual decline, in the living standard of the vast millions.

The line of persuasion attempted by Mr Pierre-Paul Schweitzer deserves serious attention because it represents more than his personal preferences or inclinations—it reflects the general line of the World Bank authorities. Mr Schweitzer has really echoed the ideas of President George D. Woods who had, in his Tokyo address, underlined the importance for the developing nations of "hard domestic decisions required to accelerate economic growth" and referred to "such "imperatives" as tax reforms and "adoption of policies and conditions conducive to the productive investment of capital'.

This may remind one of the letter Mr T. T. Krishnamachari received during his previous term as Finance Minister from the then President of lhe World Bank.

The gradual liberalistion of terms, expansion of quantum and range of assistance and sound technical advice offered by the World Bank family are certainly welcome, but one cannot and should not fail to note the divergence, if not contradiction, between our goal of a socialist society and the pattern held by the World Bank authorities as a model for developlng nations.

We have successfully resisted the strings offered as additional gifts with aids all these years. If anything, as a result of the development achieved during the last 13 years the forces that constitute the base of our independence are stronger and firmer today. So, there cannot be any reasons for us to succumb now.

—*Now*, Calcutta, October 30, 1964

The Price of Foreign Aid

As recently pointed out in the editorial columns of a leading Calcutta daily, the counter-posing of private foreign investment with official aid has been revealed to be unreal. It is undoubtedly an exercise in wishful thinking to maintain that the country's freedom of decision, be it in economic or political, internal or international sphere, remains unimpaired by its dependence on foreign resources. "Foreign aid", says an eminent exponent of Western economic thought, "represents resources compulsorily taken from the citizens of the donor countries by their Government. It differs essentially frnm voluntary charity. It can, therefore, be rightly expected that the grating of foreign aid should serve the interest of the donor country .....The granting of foreign aid necessarily draws the donor country into the internal politics of the recipient country .....political purposes are now preponderant and hence political implications and results of the transferred resources are crucial."

If the poser, foreign aid versus investment, is irrelevant, the choice really lies between abject dependence on foreign resources on the one hand and utmost self-reliance on the other. A plan which depends for about three per cent of national income on foreign resources can hardly safeguard the country's right to make indeqendent decisions. It is high time the Planning Commission undertook comprehensive studies with a view to creating a larger investible surplus from within the country. Prevention of avoidable waste within and outside the country, wider utiltsation of indigenous resources, material and human, and rousing productive enthusiasm in the people along with the removal of organisational bottlenecks are some of the steps required. Will the Government of India take them ?

—*Now*, Calcutta April 9, 1965

Section Six

ON MACHINATIONS OF OIL MONOPOLIES

Tentacles of Rockfeller Oil

In *India To-Day* of January last, we had drawn the attention of our readers to the hunt for subterranean oil resources in West Bengal, conducted by the Standard Vacuum Oil Company (Incorporated in USA).

The search must have proved successful, since the Company, it is reported by the staff correspondent of the Calcutta *Statesman*, has approached the Government of India for permission to undertake drilling operations.

The Standard Vacuum Oil Co., is one of the about half-a-hundred subsidiaries of the Rockfeller oil interests, that are spread over the entire capitalist world.

The Rockfellers are one of the worst enemies of the humanity at large. Not only do they extort through ruthless exploitation huge tributes from their world empire (the net income of only one of the Rockfeller companies, namely, the Standard Oil Co , New Jersey, amounted to $ 360,604,976, about Rs. 155 crores, in 1948), but they are also behind all the major conspiracies against the peace and freedom of the world peoples.

The Rockfellers were bound by contracts and agreements with the I. G. Farbenindustrie in Germany—the real power behind the Nazi fascist regime. These agreements continued operating right through the Second World War although the American soldiers were shedding their blood and American workers were working overtime to bring about the defeat of Hitler and the powers behind his back.

When, after all, thanks to the immense sacrifice and immeasurable heroism of the Soviet people, the Hitlerite

brigands were smashed and Germany occupied by the Allied troops, the Rockfellers had one of their own men, Philip Clover, placed in charge of the Oil Section of the Military Government in order to salvage their monopolist allies from the ruins of Hitlerite Germany and save them from the wrath of the anti-fascist people.

They had ties with the Jap fascists as well. One of their subsidiaries, Tidewater Associated Oil Co., held shares worth two million dollars in Mitsubishi Oil Co.—one of the biggest monopoly interests in Japan.

While directly aiding and abetting the fascist war criminals on the one hand, it was, on the other, working on the atom bomb, to be used on the people of Hiroshima and Nagasaki. In early 1942 Standard Oil Development Co.'s Laboratories took over experiments on the separation of Uranium by centrifugal process.

Today also the Rockfeller-Standard Oil bosses are at the head of the Wall Street's imperialist drive for a new world war. Nelson Rockfeller of the family was the leader of the Committee responsible for the working out of the details of the Point Four Programme of President Truman.

No Concessions To This Monopolist Gang !

The Standard Vacuum Oil Co. is already strongly entrenched on the Indian soil. Taking advantage of Britain's crisis in Iran, it has grabbed a lion's share of the Indian oil market. The Company's depot at Budge-Budge, Calcutta, has been enlarged by the addition of a 38 lakh-gallon tank and preparations are afoot for erecting a big refinery at Bombay.

Indian patriots must wake up! If in addition to the existing tentacles of the Rockfeller company, drilling rights of the prospected oil are also granted to it, incalculable harm would be done to our national interests. Not only the valuable oil resources of the country would be exploited

by the foreign monopolists, in exchange of paltry royalty, but these arch-reactionary Wall-street warlords would gain a position of vantage to corrupt and dominate the political life of our country.

The experience of the peoples of Iran and Iraq about the dirty intrigues of the Anglo-American oil monopolists through the bought-up politicians of their respective countries against the independence and true interests of the peoples should open our eyes.

The glorious struggle of the Iranian people for the liberation of their country from the grip of the British oil kings should inspire us.

The freedom-and peace-loving peoples of India must unite and raise the battle cry : "*No concessions to the Rockfeller gang* !"

The Shape of Things to Come

The costly plant installed by the Bombay Government for distilling power alcohol from molasses has been lying idle for about a year, because, as the Bombay weekly *Commerce*, reports ".........The foreign oil distributing companies refuse to handle the power alcohol and mix with petrol before issue, *except at an exhorbitant charge which will practically make up for them the loss of profit at the reduced amount of petrol used.*" (June 14, emphasis added)

Thus, it will be seen, the foreign oil interests already entrenched in the country are actively sabotaging the industrial advance in order to safeguard their profits and perpetuate our dependence on them.

—*India Today*, Allahabad, August 1952

Fate of Russian Oil

"Seven weeks after its arrival in India the first consignment of Russian oil—11,000 tons of high speed Diesel is lying unsold and unused in Bombay, it is learnt.

"The State-owned Indian Oil Company which has imported the oil has no arrangement for ready distribution at present. No body knows, therefore, how much longer the oil will remain in the old storage tank, formerly owned by the army and which has now been taken over by the I. O. C."

(*Statesman*, October 7, 1960)

This is an example of how foreign monopoly interest entrenched in our country can sabotage any move not to their liking. It will be remembered that the Government of India approached the three foreign owned refineries at present operating in India with the request to process cheap Russian crude oil which could be imported at a much lower cost. The foreign refineries roundly refused to touch the Russian oil. Then the Government of India on its own imported some quantity of cheap Russian oil which is now lying unused in a Bombay storage tank. Taking advantage of exclusive and monopoly control over the distribution system of oil and oil products in India, the foreign monopolists are out to sabotage this move.

To a question "why India did not press foreign oil companies to process cheap Russian crude oil", the Minister for Mines and Oil, Mr K. D. Malaviya speaking before the Indian Council of World Affairs in New Delhi on September 23, 1960, said, "it was India's policy to honour and maintain agreements even though they were not reasonable".

The question then arises why the Government of India should at all enter into agreements with foreign interests which were not reasonable. Secondly, has the Government drawn appropriate lessons from such episodes for the guidance of their future actions? From all evidences there is little ground to hope for even this belated wisdom. On many earlier occasions we have drawn the attention of our readers to the change in the Government's policy towards foreign capital in recent months.

There is one more pointer to this present trend which we quote below.

Speaking before the share-holders of the Tata Iron and Steel Co. Ltd. in Bombay on October 6, 1960, Mr J. R. D. Tata said, "We welcome the shift in our country's policies towards foreign participation in industry. *We have gone a long way from the days when such participation in industry was looked upon with suspicion* and discouraged and this is obviously to the good...........it is by this that India has much to gain from an influx of foreign capital..........." (Emphasis added)

We are in full agreement with Mr Tata about the *fact* of the shift in Government policy, but we regret that it is neither "to the good", nor a "gain". We hope that whatever be the pleadings of Indian big business mouthpieces, the Government of India will realise the sinister implications of the predominance of foreign monopoly capital over our economy and change the gear while there is yet time.

In this context we welcome the declaration of the Oil Ministry to the effect that further expansion of refining capacity will be exclusively limited to public sector. We hope the government will resist all attempts to make them deflect from this policy.

—*Dipika*, Bombay, November 1960

New Look of Oil Sharks

The Big Business press in India have generally tried to sell the offer of the oil companies as gestures of great magnanimity which deserves reciprocation by the Government of India. But the Indian people will do well to remember the wise saying that things are not what they seem. As oil has occupied the centre of the political-economic stage in India for the last twelve months, the developments are worth a careful scrutiny.

In early May, 1962, the Chief Representative in India of Burmah-Shell laid before the Union Minister for Oil, Mr K. D. Malaviya, certain proposals about changes in the Company's business relations with India. He declared that Burmah-Shell was agreeable to put their marketing activity in India into a rupee company, to offer substantial and widespread equity participation in both their marketing and refining enterprises to the Indian public, and to discuss with the Government immediate termination of the current Refinery Agreement and the basis of operation in future under an industrial licence similar to that for other industries *subject* to an understanding on certain basic points.

A fortnight later, the second biggest Oil Company in India, ESSO-Standard Eastern (formerly Standard Vacuum) issued a similar statement. There is little doubt that the third foreign oil company, viz., the Caltex, will soon follow suit. So far, so good. But what requires a closer scrutiny is the so-called basic points, put forward as a rider to the new agreement. What these basic points are have not yet been divulged by the company to the public. That they include the questions of the proportion of Indian participation in the equity structure and the re-patriation of the funds secured by the company by way of this sale can be easily

guessed. Secondly, there will be knotty questions of crude oil supply and their prices. But the real bargaining counter staked by these foreign oil monopolies appears to be the expansion of their refinery capacity. The ESSO statement was a little more explicit on the point, when it said that the proposed changes were intended to "establish circumstances allowing it participation in and contribution to the growth of petroleum industry in India."

The readers of these columns will remember the dire consequences with which these companies threatened the Government of India, and the Oil Ministry in particular, during the last autumn, when the Damle Committee's recommendations were enforced. Thanks to the firm stand taken by the Government of India, in spite of the international line-up of powerful oil monopolies and their native hangers-on, the offensive was beaten back and the oil companies realised the wisdom of discretion in preference to valour and ultimately submitted to the Government of India's decisions, although under protest. Since then they must have undertaken intense heart-searchings in order to work out this new strategy. These overtures on the part of the oil companies undoubtedly signify a great victory of India's national oil policy and brings out very clearly the new delineations of the international situation. Those days of arrogant oil rule, when a Mossadigh could be overthrown and imprisoned by the machinations of these oil racketeers for the 'crime' of encroachments on their 'holy preserves' are gone and gone for ever. The role of the Soviet Union and East European Socialist countries in bringing about these changes should not be under-estimated. In fact, the Damle Committee, appointed by the Government of India, repeatedly paid fulsome tribute to the role played by the Soviet Union's entry into the world oil market in enabling India to wrest concessions from these Oil Sharks.

Birla's *Eastern Economist* has asked the Government of India "to allow the existing private sector refineries (i.e. the

foreign concerns) to increase their output through full utilisation of their recently expanded capacity".

"Expansion", it continues, "of the oil refining capacity in the country *incidentally will help in solving the issue of* the imported petroleum products' prices, which after the enforcement of the Damle Committee's report has created not a little estrangement between the Government and the oil companies. With augmented production here, the need to import middle distillates, which are in short supply will be obviated to a considerable extent.

"Given a pragmatic approach by the Union Ministry of Mines and Oil, it is hoped that an amicable settlement on all these issues will be arrived at a none-too-distant day. The thoughtful and wise gesture on the part of the Burmah-Shell management needs reciprocation by Mr Malaviya". (May 11, 1962).

This advice of the Birla mouthpiece obviously flies in the face of the national oil policy. Oil has been reserved for the public sector exclusively. In view of its high strategic importance, any continued dominance of the international oil cartels cannot but militate against our national interest. We have full confidence that India's national interests will be zealously guarded by Mr Malaviya. At the same time we should not underestimate the role of vigilant public opinion against reaction's insidious machinations.

Strings behind the 'Aid.'

The recent performance of the U.S. Senate Foreign Relations Committee over the USA's aid allocations to India deserves serious attention from the Indian patriots. On May 12, 1962, the Committee voted a cut of 25% to the $ 727 million alloted for aid to India during this year. There was a great consternation in the pro-U.S. circles in New Delhi and the U.S. Ambassador, Prof. Galbraith, undertook a hurried flight to Washington. The result was that the cut motion was re-considered and rejected on May 21.

However, the chairman, Senator Fulbright, said that the decision to cut aid to India reflected "very strong-feeling" within the committee against the "anti-American attitude" of Mr Krishna Menon, Mr Nehru's "uncooperative attitude" *in the U.N., India's "aggression" in Goa and the proposed* purchase of military equipment from Russia.

In other words, the American conditions for the grant of aid embrace the reversal of the entire foreign policy personified by Nehru and Menon. The restoration of the earlier cut signifies, not any change of heart on the part of the American policy makers, but simply their assessment of the expediency.

Dipika, Bombay, June 1962

A New Feather in Malaviya's Cap

The Oil Minister Mr K. D. Malaviya has scored another victory over the foreign oil monopolies in India. With effect from October 1, 1961, he has enforced a reduction of nearly Rs. 15 crores annually in the selling prices of major petroleum products and bitumen, charged by foreign oil companies in India. The consumer prices of these products will, however, remain unchanged, since the Government intends to mop up the reduction as revenue. This measure will, therefore, secure to the exchequer the said amount for financing the developmental projects and effect a corresponding economy in foreign exchange.

The Oil Price Enquiry Committee headed by Mr K. R. Damle, an official of the Agriculture Ministry, on the basis of whose report the Government enforced this cut, complained that foreign oil companies operating in India did not disclose all the information required by it to determine a new oil price formula. At a news conference held in New Delhi on September 27 last, the Oil Minister, Mr Malaviya "made no secret of his ministry's view that the reduction recommended by the committee was disappointing. The reduction accepted by these companies in other countries was much higher than what had been recommended by the committee..............he saw no reason why the oil companies should not accept it. 'Very meagre,' 'not adequate' were the expressions he used to indicate the Government's reaction to the reductions recommended by the committee." (*Hindustan Times*, Delhi, Sept. 28, 1961)

The oil monopolies, being what they are, did not naturally accept the cut with grace. On September 30, the General Manager of Burmah Shell issued a statement in which he protested strongly against this measure on the plea of "the

totally inadequate time which has been afforded for reading, digesting and understanding the many implications" of the report,

One cannot help wondering about the audacity of these foreign oil monopolies which not only non-cooperated with the enquiry by withholding the relevant information, but also complained against the enforcement of a cut which is lower than what they have accepted in other countries. It is to be hoped that the oil ministry will be able to bring home to these puffed up and bloated cartels that the old days of their absolute domination are gone and gone for ever.

In fact, the Damle Committee repeatedly underlines in its report the new shift in the world market. For example, it says : "In the determination of world market prices, the offer of Russian crude oil to different countries in the Eastern and Western Hemisphere at very attractive discounts off posted prices in the Persian Gulf (in many cases with ocean freight also as from the same source, that is, Persian Gulf) cannot be toally ignored." The committee further advised that "the oil companies should recognise the new set of circumstances..."

On the impact of the agreement for import of Soviet petroleum products into India, the committee said :

"One cannot fail to recognise that the competition generated by this offer influenced their suppliers in their final decision to allow discount at the current rates. On account of the traditional nature of the discounts, it should normally have been possible for the oil companies to successfully bargain for discounts off posted prices with their suppliers long before the offer of the Russian crude oil was made to them."

This should be an object lesson to, not only the oil Ministry but also to the other ministries, more particularly the Finance Ministry, of the Government of India. The steady rise of the socialist world market, it has been amply proved, opens up new opportunities for under-developed countries like India to assert their economic independence.

—*Dipika*, Bombay, November 1961

Oil Monopolies on the War Path

The three foreign oil companies — Burmah Shell, Stanvac and Caltex — that dominate the Indian market seem to have lost all sense of history. They have apparently forgotten that much water has flown down the rivers since the time they had managed to overthrow the Mossadegh Government in Iran following the nationalisation of the Abadan refinery. They must have forgotten all about the slap, they had recently received from the little Cuba, when they set out to blackmail and bully a great country like India.

Last month we expressed the hope that "the Oil Ministry would be able to bring home to these puffed up and bloated (foreign oil) cartels that the days of their absolute domination are gone and gone for ever." We are glad to note that the Ministry is acting up to the nation's expectation.

Following the announcement of the cut in the selling prices of major petroleum products, enforced by the Government of India with effect from October 1, 1961, the General Manager of Burmah Shell fired the first shot in the battle againt the GOI decision, when he issued a public statement vehemently protesting against the price cut on the plea of "the totally inadequate time which has been afforded for reading, digesting, and understanding the many implications" of the Damle Committee's report, on the basis of which the price reductions were decided upon.

In the second round, the oil companies, after many confabulations among themselves, conveyed to the Oil Ministry their objections against the price cut, but requested the Government not to make it public for the time being.

In the third round, the companies themselves managed

to "leak out" the information to the foreign press and immediately following, the General Managers of Burmah Shell and Stanvac issued public statements.

Threats — not so veiled

In the next round started the inspired press barrage, the most outspoken of which, naturally, were the comments of the *Statesman*, mouthpiece of foreign capital in India. The Special Correspondent of the paper in New Delhi wrote on November 14, that "... it was clear that the oil companies are determined not to accept the principle of discounts on refined petroleum products." The City Editor of the paper held out threats in the issue on November 17 :

"The impact of such action (a gesture aimed against the oil companies)", it was said, on prospective foreign investors in this country would also have to be taken into account.

"If the Government refuses their (oil companies') offer (read : ultimatum), it may find itself unable to fill up the gap in the supply of products from any source rapidly enough to avoid a serious shortage in the country. If this were to arise, then the disruption to transport and power would be considerable, and certainly something which *other Ministries*—other than the Ministry of Oil that is—would wish to avoid so close to a General Election." (Emphasis added)

Apart from the thinly-veiled threats—of withholding foreign capital inflow and internal dislocation—the reference to the *other Ministries* is rather sinister in significance. Does it mean that the oil cartels or their agents had actually got in touch with some of the other Ministries and got a sympathetic response ? Any one even distantly acquainted with the ways of these oil monopolies will smell a rat in this apparently innocuous phrasing,

Crux of the Dispute

Now let us come to the crux of the dispute. In the course of their longish statements, the oil companies have made two

essential points : (i) The price reductions enforced are unfair as they will make a serious hole in their profits ; and (ii) no discounts are available to them in the case of refined products. In his statement in the Lok Sabha on November 21, the Oil Minister K. D. Malaviya clearly exposed the baselessness of these statements. He revealed that the Damle Committee had allowed the companies a 12 per cent profit on capital employed. "I wonder what more liberal treatment could the oil companies expect in this regard." he asked.

With regard to the second point, viz., the availability of discounts on the refined products, he said : "If discounts on crude oil are available to the refineries in India, they are undoubtedly also available in equivalent-if not in higher measure to the associated refineries in the Middle East. Product yields from crude of the same gravity being almost identical, one can assume that the monetary effect of crude discounts is reflected in equivalent measure in the value of the products of their associated refineries in the Middle East, which are no other than their own associates."

"The House," he continued, "is well aware of the integrated nature of the petroleum trade. The refiners and distributors in India are in effect owned by their socalled principals and/or associates, who in turn are the producers/suppliers of crude oil and products in the Middle East. The difference between them and the companies operating in India is that between tweedledum and tweedledee."

The Same Network

That Shri Malaviya was 100 per cent correct in his assessment of the relationship between the foreign oil companies in India and their Middle East associates will be evident from the following quotation from a report of the U.S. Senate Committee published on August 24, 1952.

"These seven international companies" accounting for 88 per cent of the world's production excluding the USA

and the socialist countries, "operate through layers of jointly owned subsidiaries and affiliated companies.........Through this corporate complex of companies they control not only most of the oil, but also most of the world's foreign petrol refining, cracking, transport and marketing activities.

"Thus control of the oil from the well to the ultimate consumer is retained in one corporate family or group of families."

So it is clear that the talks of non-availability of discounts on the finished products are all eyewash. Shri Malaviya clearly underlined the "unreasonableness of the stand of the companies regarding product discounts in the face of admitted discounts in crude oil and the world situation regarding crude and products available and the Russian competition."

But it would be naive to think that the oil companies seriously expected any one to believe in their specious pleas on the two points discussed above. Shri Malaviya actually hit the nail on the head when he said : "It seems that this agitation is intended to ward off any claim that Government may make in course of time in the light of observations of the Committee for increase in the quantum of discounts in crude oil and products over the levels recognised by the Damle Committee, or with the purpose of extracting concessions from Government under threat of breakdown of supplies of commodities essential for the life of the community."

Wanted Vigilance

It is heartening to note that the Government is treating the threat levelled by the oil companies with the contempt that it deserves.

"Government," said Shri Malaviya, "has noted with great concern the threat which is implicit in the companies' stand to the line of supply of such an essential commodity ....

"I must emphasise, at the end, that in the event of any danger to the supplies of petroleum products arising, Government must take—and in fact, is taking steps to make alternative arrangements, so that the economic life of the country is maintained."

The nation will expect that Shri Malaviya, and for that matter the Government of India, will remain firm in the position taken on the questions, and, no one in the *other Ministries* will be permitted to subvert the national interests at the behest of the international oil monopolies.

The entire nation should remain on the vigil.

—*Dipika*, Bombay, November 1961

Section Seven

ON THE CRISIS OF INDIAN ECONOMY

The Slump – How, Why and the Way Out

The Indian economy is in the throes of a deep crisis.

From early February upto the middle of March, for six weeks sharp and continuous fall in the prices of a number of commodities, bullions and stocks and shares was simultaneously registered all over the country. Since then the process of decline seems to have been arrested ; even slight recovery has been noticed in some sectors. But the crisis has not been solved ; in fact, the crisis of the economic system has deepened and resulted in increased misery in the life of the people.

The Story of the Price-movements

For any serious study of the present phase of the crisis of the Indian economy, we should naturally begin with the movement of commodity prices. The following table shows the index of the wholesale prices of different types of commodities at different phases, *i.e.*, June 24, 1950, the eve of the Korean war ; mid-April, 1951, when the prices reached the peak ; January-end, 1952, the eve of the present slump ; March 15, when the prices reached the bottom ; and March 22, *i.e.*, the latest available figures which show a certain rise. It should be noted that the following index does not take note of the rise in food prices in rationed areas as a result of the withdrawal of the Government subsidy, as this became effective on a later date.

While any attempt at predicting the course of prices would be premature, the following trends can be clearly noted :

(i) It will be seen from the table that a process of slow decline in prices has been operating since mid-April, 1951. Between that date and January-end 1952, the general

INDEX NUMBERS OF WHOLESALE COMMODITY PRICES

Groups of commodities	June 24, '50	Mid-April, '51,	January end, '52	Jan. end as p. c. of Mid-April Cols. IV/III	March 15,'52	March 15 as p. c. of Jan. end Cols. VI/IV	March 22,'52	March 22 as p. c. of June 24, '50 Cols. VIII/II
I	II	III	IV	V	VI	VII	VIII	IX
Food articles ...	407·1	414·3	392·3	94·7	335·2	85·4	345·7	84·9
Industrial raw materials ...	494·2	699·8	573·8	82·0	382·8	66·7	420·8	85.1
Semi-manufactures	335·5	390·1	370·1	94·9	339·0	91·6	340·1	101·4
Manufactures ...	346·9	413·1	399·4	94·7	376·6	94·8	383·8	110·9
Miscellaneous ...	692·5	789·1	734·5	93·1	610·8	83·2	589·9	85·2
All commodities ...	397·1	462·0	428·8	92·8	364·9	85·1	376·5	94·8

index of all the commodities declined by 7%. After break up into different types of commodities, it shows that the biggest fall was suffered by the industrial raw materials group, which registered a decline of 18% and the smallest by the manufactures group, which fell by less than 6% only,

(ii) Between January-end and March 15, 1952, the decline accelerated and advanced. The general index of all commodities fell in this short period by 15%. But here again this general index hides the disparity of the fall between different groups of commodities. In this period too, the manufacture group recorded the smallest fall (less than 6%), while the industrial raw materials group registered the highest fall (more than 33%).

(iii) Between March 15 and 22, all the groups of commodities except 'Miscellaneous' recorded a rise. Compared to the *pre- Korean War* level, *i.e.*, June 24, 1950, they stood as follows :

a) The general index had fallen by 5·2% only.

b) Manufactured articles were still higher by 10·6%.

c) Industrial raw materials stood depressed by 15% on March 22,

(iv) Compared to the January-end figures, on March 22, 1951, the index of prices of Manufactured articles declined by 4% only while the price of industrial raw materials declined by about 27%.

These figures reveal that due to the relatively greater fall in the prices of industrial raw materials, the manufacturing industries were, on March 22, in a better position than on the eve of the slump.

While this is the general picture revealed by the price movement, one should distinguish between different manufacturing industries.

Major Industries Gained From Slump

While Jute and Cotton textiles, Sugar industries, etc., which happen to be our major industries seem to have gained due to the relatively greater fall in the prices of the raw materials, other smaller industries which have to depend on foreign and/or semi-processed materials (*e. g.*, chemicals, yarns, etc.,) are likely to be in a really difficult position, because compared to the January-end the price of the semi-manufactured articles has declined by 9% only (while the price of the industrial raw materials has fallen by 27%).

Main Cause : Speculation

With the notable exception of G. D. Birla, most of the Indian businessmen and industrialists squarely fastened the blame for the debacle on the speculators. For example :

"Mr Cowasjee Jehangir, Chairman of the Bank of India, described the present crisis in the markets as 'man-made' and said it was not due to excessive production—industrial or agricultural. Addressing the annual general meeting of the Company, he said. he personally felt that the crisis could not last long and commodities must find their own level at lower rate than that which prevailed before, *thus giving a shock to blackmarketeers and hoarders who must learn the lesson that anti-social activities are not always an easy method of accumulating ill-gotten wealth.*" (*Hindustan Times*, March 28, emphasis mine—A. R.)

Writing in the *Hindustan Times* (March 7) under the caption, 'Why This Price Debacle ?' the Bombay textile magnet, C. B. Mehta says ;

"It has been an open secret that for the the last two years a few operators have been cornering different commodities at different times taking advantage of their short supplies. They have made huge profits as a result of *artificial price manipulations.* As a matter of fact, this process has been going on for quite a long time and governments—both Central and

State—have been watching the situation rather helplessly" (Emphasis mine—A. R)

The U. P. Oilmillers Association. Kanpur, at an extraordinary meeting adopted a resolution which among other things "urged the Government to take immediate and effective action to check all sorts of illegal speculative activities..." (*Hindustan Times*, March 23)

The Executive Committee of the Textile Manufacturers' Association, Amritsar, "urged the Government of India to ban speculation in art silk and staple yarn markets...

"The Committee in a resolution said that the speculative market did not depict correct picture of the stocks and price position of art silk and staple yarns." (*Hindustan Times*, April 4)

The columnist of *Commerce*, the influential ecenomic journal of Bombay, writes :

"There has been a large amount of overtrading in most of the speculative markets. It appears that a few of the big operators who operate in several markets at the same time had developed a heavy position in each of the markets so that a crash in one market left such operators financially in a quandary at the same time in several markets..." (*Commerce*, Bombay, March 3)

Even B. T. Thakur, General Manager of Birla's United Commercial Bank, in an interview with the PTI, characterised the situation as a "paralaytic shock to markets caused by excessive and senseless speculation." (*Hindustan Times*, March 17)

Birlaji Differs

But G. D. Blrla, in an article entitled "Other Side of the Medal", ridicules the idea "that the slump is the creation of the speculator" and says :

"I feel it would be rash for anyone to be dogmatic and link the slump to any definite factor. And yet it would not be far wide of the mark to find the main causes in the *over-supply of certain goods and the tightness of credit*. If any body

has speculated or overtraded, it is perhaps the God of War, who has impelled stockpiling after Korea—an activity which is now gradually terminating. The increased supply of certain goods due to less stockpiling, added to restricted credit, has perhaps accentuated the situation. Thus the main factors responsible for the crash may be found substantially in increased supply and scarce credit." (*Hindustan Times Supplement*, March 23)

Stockpiling Led To Speculation

The question of restricted credit, we shall discuss later. But Mr Birla's contraposing of speculative activities with the stockpiling programme is not very clever. In reality they are concomitant. It is the stockpiling programme which encouraged and sustained speculation.

"Day to day prices, in fact," wrote the financial columnist of G. D. Birla's *Hindustan Times*, "have been moving under the steam somewhat laboriously generated by frequently fanciful construction on international developments pointing at one time, more towards war and at another more towards peace. The parleys at Pan Mun Jon in other words have been doing service as the principal, but meagre source of inspiration of the operators in Bombay, Calcutta and elsewhere." (*Hindustan Times*, November 1, 1951)

Increasing Dependence on U. S.

Side by side with this distortion of the internal economy due to unbridled speculation, there developed, following the Korean war, an increasing dependence on the USA in our foreign trade.

The share of the USA in the import trade of India consistently increased from 15·6% in 1949-50 to 25·8% in the second quarter of 1951-52.

On the export side too the US share rose from 19·8% in 1949-50 to 20·3% in the first quarter of 1951-52; after which it suddenly dropped to 14·9%. *And this upturned the apple cart of Indian speculative economy.*

Roots In The Declining U. S. Economy

This sudden drop in the U. S. imports from India is not accidental, nor is it due to any discrimination against this country in particular. It is the result of, speaking rather mildly, the growing disequilibrium and unbalance within the U. S. economy.

In spite of the galloping increase in war expenditure, which has risen from $ 20,000 millions in 1950 to $ 25,000 millions in the current U. S. fiscal year, (in essence, because of it) the Wall street warlords are proving incapable of resisting the decline in production and unemployment. The following figures from the *U. S. Federal Reserves Bulletin* unmistakably reveal the setting in of what is euphemistically characterised by the bourgeois economists as a 'recession'.

After June, 1950, *i.e.*, the beginning of the Korean War, there was an all-round expansion in the industrial production in the U. S. A., which also led to an increase in the factory pay-roll. But after March, 1951, the tide turned. Between March and October, 1951 the production of non-durable goods, *i.e.*, mainly consumer's goods, declined by 11 points, construction by 43 points, factory employment by 2.4 points and pay-roll by 2.3 points. Even the production of durable goods, which category includes tanks, armoured cars, air-craft, warships, etc., fell by 3 points.

The inevitable consequence of the decline of the productive activity in the U. S. A. is the curtailment of imports, which mainly consist of raw and or semi-manufactured materials. The following table shows the rise and fall of the index of the quantity of imports into the U. S. A. since the beginning of the Korean War.

Index of Quantum of Imports into U. S. A.

1950		1951	
July-September	125	January-March	133
October-December	128.3	April-June	117
		July-September	106.3

(U. N. Monthly Bulletin of Statistics)

It will be seen that in the two quarters upto January-March 1951 the index consistently rose and in the subsequent two quarters, it fell sharply. In the earlier two quarters the index had risen by 18 points; in the later two quarters it fell by more than 26 points.

The same trend is revealed in the movement of the U. S. A.'s imports from India. The value of average monthly imports from India into the U. S. A. was Rs. 878.6 lakhs in the quarter July-September, 1951, which gradually rose to Rs. 1328.3 lakhs in the quarter April-June, 1951; after that it steadily declined to Rs. 827.5 lakhs in the fourth quarter of 1951 (average of two months only).

Crisis Spreads to Capitalist World

In the meanwhile the tremors of the growing crisis were spreading from the Wall Street epicentre to all over the capitalist world. The following table of the index of the Mining and Manufacturing production of the world excluding the U. S. S. R. reveals a condition of general stagnation. It should be noted that these indices while excluding the U. S. S. R. include the countries of People's Democracy, where production is continuously rising and so serve to partly hide the real extent of deterioration in the capitalist countries.

Index of Mining & Manufacturing Production in the World excluding the USSR

(Base : 1948=100)

1950		1951	
April-June	112	January-March	124
July-September	116	April-June	129
October-December	124	July-September	124

(U. N. Monthly Bulletin of Statistics)

It will be seen that while between the second and the fourth quarters of 1950, the index rose by 12 points, it has remained stationary after that.

The index of the quantity of the turnover of the international trade among the capitalist countries, worked out by a Soviet economist, also reveals the same picture.

Turnover of the International Trade among the Capitalist Countries

Index of quantity-Base : 1948=100

1950		1951	
April-June	114	January-March	133
July-September	120	April-June	135
October-December	137	July-September	133

It will be seen that after the rise of 23 points in the two quarters following the Korean war, the index of the quantity of the turnover of the international trade among the capitalist countries declined in the first quarter of 1951 and has remained stationary since then.

In the face of this general decline in the production and the international trade of the capitalist world, the Indian exporters were, as the following table shows, resisting the fall in the price of the Indian exports.

Comparative Indices : India's Import, Export and Wholesale Prices

1951	Value per unit of Imports (Base : 1948-49=100)	Quantum of Exports (Base : 1948-49=100)	Value per unit of Exports (Base : 1948-49=100)	Wholesale prices in India (Base : August 1939=100)
Jan-March	123	159·6	*	425·4
April-June	129·6	110·6	171	456·9
July-Sept	127·6	92·6	180	439·9

* Strictly comparable figure not available

It will be seen from the above table that by the second quarter of 1951 the index of value per unit of imports rose by about 30 p.c. over the base, *i.e.*, 1948-49, while the index of export prices rose by 71 p.c. in the same period.

It will also be seen that the indices of import and wholesale prices in India began to fall after the second quarter of 1951, while the index of export prices registered a substantial increase even in the next quarter.

The comparison between the indices of the quantity and value per unit of exports, given in the above table is also very illuminating. It shows that between the first and third quarters of 1951, the quantity index of exports had fallen from 159·6 to 92·6, but the value index had risen to 180.

All these clearly bring out the particular role of speculation and price manipulation in the export market in artificially resisting the downward pressure on the prices. But ultimatety the basic trend of decline proved stronger and the market crashed on the head of the manipulators.

Credit Restriction—Not Main Cause

The spokesmen of the Government of India claimed the credit (and G. D. Birla gave them the discredit) for bringing down the price level through the policy of restricting the bank credits by means of an increase in bank rate. But in the light of facts, this claim seems to be hollow and untenable. The increase in the bank rate in the middle of November, 1951, did not materially affect the expansion of bank credits in India.

Scheduled Banks' Credits

(Rs. in Lakhs)

Months		*1949-50—*	*1050-51—*	*1951-52—*
October	...	404,58	413,35	505,71
January	...	431,19	479,31	575,58
Increase in January over October		29,61	65,96	69,82
January as percentage of October	...	106·5	115·9	111·8

It will be seen from the above table that while percentage increase in January, 1952, over October, 1951, (11 .8%) is lower than the increase in January, 1951, over October, 1950 (15·9%), still compared to the (pre-Korean War)

rate of increase (6·5%) in January, 1950, over October, 1949, it is almost double.

In absolute volume, the increase in January. 1952, over October, 1951 (Rs. 69,12 lakhs) is higher than the corresponding figure of the last year (Rs. 65, 96 lakhs).

The increase in January, 1952, over January, 1951, is Rs. 96,22 lakhs or by 20%, compared to Rs. 48,82 lakhs or 21% in January, 1951, over January, 1950.

Bank-rate Increase Helped Big Business

That the increase in the bank rate played no vital role in bringing down the prices is further revealed by the fact that the process of price decline had started in April 1951 and the index of wholesale prices had registered two sharp falls from 456·5 in June to 447·0 in July and 437·6 in August, compared to the fall of 3 points each in November, December and January, following the increase of the bank rate.

These figures blow up the myth sought to be created about the so-called 'disinflationary' policy of C. D. Deshmukh alleged to be directed towards 'restriction' of credits with a view to bringing about a decline in prices.

If anything, the increase in the bank rate favourably served the big business interests by making available to them a larger share of the bank credits. This is reflected in the rise of average amount per cheque cleared in the major centres. The average amount per cheque in January, 1952 was Rs. 3,206, compared to Rs. 2,983 in November, 1951, and Rs. 2,989 in January, 1951. *(Clearing House Returns)*

Government Obeys the Big Business

At the beginning of the decline the spokesmen of the Government of India were displaying an attitude of nonchalance or rather indulging in self-eulogies. But very soon, as the big business pressure began to mount, the New Delhi bosses started to submit to the biddings of the Clive Street and the Dalal Street overlords. Thus :

The export duties on hessian and raw cotton were reduced to half.

The export duty on soft cotton waste was reduced from 50% *ad valorem* to 30% *ad valorem*.

The duties on the export of groundnut oil, kardi seed, Niger seed, and raw wool were totally abolished.

The quota restriction on export and control of sale within the country have been considerably relaxed in the case of cotton textile goods.

The export quotas of 25,000 and 50,000 tons have been sanctioned to the *gur* and sugar industries respectively.

Silence About Main Cause—Food Crisis

While a loud controversy is raging in the official and business circles regarding the role of this or that measure in bringing about the present situation, there is, it seems, a tacit understanding between them not to broach the real problem—the spring-source of the crisis, namely, the problem of food and agriculture.

To sum up :

(i) The real crisis in our economy is the agrarian crisis.

(ii) The present price decline is to be welcome.

(iii) Prices can be *stabilised at a lower level* if speculation and super-profits are curbed and the impact of the American "recession" offset.

So, the democratic and patriotic forces in India must unite and force the Government of India to adopt and support the following programme :

(1) To offset the impact of the 'recession' in the capitalist world in general and the USA in particular, by opening

and extending trade relations with the Soviet Union, China and other countries of People's Democracy.

(2) To enter into a long-term barter agreement with Pakistan for the import of Pakistani food, jute, and cotton against the export of Indian industrial goods. The direct import of Pak food and the release of Indian acreage now under jute, cotton, etc., for food production would mitigate the food crisis, while Indian industry would have access to what was its natural home-market only five years ago.

(3) To evolve concrete local plans to increase food production *right now* and enlist the co-operation of the mass of the peasantry and rouse their enthusiasm in implementing these plans.

(4) To ensure adequate supply of raw materials at cheaper rates and cheaper credits to smaller establishments.

(5) To ensure fair prices to the cultivators of each crops by fixing up the bottom and giving government credit to their co-operatives.

(6) To reduce the unproductive expenditure in the budgets on the army, police and bureaucracy and increase the expenditure on productive and nation-building projects.

(7) To curb the speculators by strong legal measures and in co-operation with the shop assistants' movement.

(8) To curb super-profits by stricter control of prices and profits and revising the income tax structure.

(9) *Not* to allow any retrenchment of workers and employees and curtailment of production. Any sabotage of producion to be punished by taking over the factory under the Industries (Development and Regulation) Act and running it in cooperation with the workers.

—*India Today*, Allahabad, May 1952
(Abridged)

India's Industry in Crisis

One of the fundamental teachings of Stalin on the *basic character of the general crisis of capitalism* is that it is not uniform either in relation to time or space. He has personally demonstrated the application of dialectical materialistic method to the study of the general crisis of capitalism which grew out of World War I and has been deepening ever since.

Stalin on Phases of General Crisis

In his report to the 14th Congress of the CPSU(B) in December, 1925, he characterised the prevailing phase of the general crisis of capitalism as "partial, or temporary stabilisation of capitalism".

In the 15th Congress, two years later, he noted that: "Partial stabilisation is giving rise to the intensification of the crisis of capitalism, the growing crisis is upsetting stablisation ;"

In June, 1930, reporting to the 16th Congress, Stalin said that the capitalist countries had taken the turn "towards economic *decline*," "there is *growing* economic *crisis* both in industry and in agriculture." "The present economie crisis is a crisis of overproduction."

About four years later, in January, 1934, in the report to the 17th Congress of the CPSU(B), the prevailing phase of the crisis was characterised by Stalin as follows:

"...a transition from the lowest point of decline of industry, from the lowest point of the industrial crisis to a depression—not an ordinary depression, but a depression of a special kind, which does not lead to a new upward trend and industrial boom, but which, on the other hand, does not force industry back to the lowest point of decline."

"The economic crisis in the latter half of 1929 lasted until the end of 1933. After that the crisis passed into a depression and was then followed by a certain revival, a certain upward trend of industry. But this upward trend did not develop into a boom, as is ususally the case in a period of revival. On the contrary, in the latter half of 1937 a new economic crisis began which seized the United States first of all and then England, France and a number of other countries."

This is so far as the different phases of the general crisis of capitalism is concerned. Stalin also teaches that "the present world crisis is developing *unevenly* notwithstanding its *universal* character ; it affects different countries at different times and in different degrees". On each occasion he proceeds to concretely trace the spread of the crisis from one country to another and underline the specific features of the crisis as it affects a particular country.

All this underlines the inadequacy of the general and *formularistic* characterisation of the deepening crisis in India which so sharply expressed itself through the slump at the end of January last as the *product of the crisis of the capitalist and colonial system.* Because such a characterisation, so obviously true, is no more than a *tautology*.

The real task is to determine the *specific* features and course and to carefully weigh the specific weight of the different factors of the growing crisis of colonial economy of India in the context of the deepening general crisis of world capitalism.

The first feature to be noted is that in spite of continuous decline in the index of wholesale prices of *manufactured* articles since January last, industrial production in general has not declined but somewhat *increased*.

While the price index declined by 20 points between January and April, the index of production went up

by 19 points. This inevitably leads to the conclusion that the slump did not vitally hit industry *in general.*

This is partly explained by the fact that the prices of manufactures declined *relatively much less* than the prices of industrial raw materials. Between January and April, 1952, the index of the prices of industrial raw materials declined from 580.6 to 433·6 or by about 25·3 p.c., while the index of prices of manufactures declined from 400·9 to 381·2 or by 4·9 p.c., Therefore, manufactures *in general* are likely to have improved their profit margin during this period.

But it should be noted that the general index of industrial production which reveals an upward trend hides the disparity and unevenness between different branches of industries. The indices of production in different industries show that while production is rising in certain industries, it is stagnant in some and consistently declining in a few others.

The unevenness reflected in the movement of production indices suggests the following explanations: (i) Because compared to the price of their manufactures, the price of raw materials has decreased relatively to a greater extent, those industries which use primary products like cotton or jute for raw material, or steel which provides its own pig iron and coal-mining which has no raw material problems, are either increasing production or are stagnant, while in the industries dependent on imported and/or semi-processed articles for raw materials, production is declining ; (ii) Secondly, (apart from steel, of which there is absolute shortage in the country), in those industries which are either largely meant for export like jute or which are partly capable of finding an outlet for a part of their products in the export market, the production has increased ; while those industries which are more or less completely dependent on the home market have not maintained the level of production, *e.g.*, general and electrical engineering, chemicals, and glass, etc. It

should be further noted that both of the above characteristics more or less coincide, that is, industries dependent on imported and/or semi-processed materials are also dependent on the home market, while industries using primary produce as raw materials, *i.e.*, cotton, jute, etc., have outlet in the export market.

—*India Today*, Allahabad, September 1952
(Abridged)

Signs of Stabilisation

The Indian market is showing increasing signs of stabilisation.

The general index of all commodities which stood at 376·5 in the week ending March 22, rose to 378·0 in the week ending April 19.

After break-up into different types of commodities, the figures show that while *food*, manufactures and semimanufactures remained more or less stationary, industrials and 'miscellaneous' (spices, nuts,) registered a significant rise.

On the last occasion we pointed out that due to the relatively greater fall in the prices of industrial raw materials, the major manufacturing industries were in a better position after the slump than before. In spite of the rise in the prices of industrial raw materials in the four weeks ending April 19, this inter-relation has not basically altered. On the above date, the index of the prices of the industrial raw materials stood 11·5 p.c. *lower* than on the eve of the Korean War, while the index of the prices of manufactures stood 10.4 p.c. higher.

This shows that the organised industries led by the British and Indian big business have been able to maintain, if not increase, their profit level *at the cost of the peasantry*.

This, coupled with the rise of food prices (in a country where the bulk of the peasantry have to buy food in the market) will no doubt ultimately recoil on the head of the profiteers themselves, because further impoverishment of of the peasantry can not but accentuate the problem of the market. Thus 'stabilisation' of profiteering will lead to the undermining of the profit in near future.

—*India Today*, Allahabad, June 1952
(Abridged)

Section Eight

ON PLANNING AND POLICIES

Planning in Perspective

Planning in India can be said to have reached a critical stage. To be more precise, the contradictions, inherent in the strategy of development currently pursued by the Indian bourgeoisie, have all come to the fore and are growingly reacting on the development process.

The present strategy of the bourgeoisie aims at only a limited development, the twin primary objectives of which are : (i) a relative advance of industrialisation and (ii) consolidation of economic independence. With these ends in view they are in the present phase engaged in overcoming the structural deficiencies of the country's industrial complex, i.e., the absence of heavy industry, machine-building capacity, etc., and extending its base. But all this is sought to be achieved without any radical change in the traditional social framework. The contradictions involved in this attempt not only hamper the progress, but also leave their imprint at every step of advance. As a result, even if the over-all production of the organised industry has practically doubled in the last decade, most of the industries are working very much below their capacity (reckoned even on a single-shift basis). Even the targets of heavy and basic industries, which are so modest in comparison with People's China and other socialist countries, remain largely unfulfilled.

This insufficiency has been brought into a sharper focus by the high rate of population growth revealed by the 1961 census.

The economic growth rate, currently estimated at about 3 per cent per annum set off against the 2 per cent rate of population growth serves to underline only the stagnant character of the economy. Even if the modest aim of

doubling the per capita income by 1976 has to be achieved, the present rate of economic growth has to be increased by at least 100 per cent. For anything like a real 'take off' it has to be increased three-fold. The contradiction between the strategy of *limited* growth pursued by the Indian bourgeoisie and the demands of the situation thus gets accentuated.

Even within the framework of limited growth, the critical elements are increasingly coming to the fore, the most important of which is the imbalance between the growth of industrial and agricultural production, the latter being determined by the specific character of the agrarian reorganisation, carried out by the bourgeoisie. The agrarian reforms themselves are marked by contradictory pulls, such as, large scale modernised capitalist farming, cooperation of small and middle peasants, concealed rack-renting, etc. These different pulls, broadly exemplified in different States, or in different regions within the same State, are reflected in varying rates of agricultural growth—indicating relative development, stagnation, and even deterioration in some areas. The extremely poor performance of agriculture as a whole reacts on the total development not only negatively—by its failure to yield surplus for investment in industrial sector—but also positively, as expressed in its failure to pay dividends on the investments made by the Public Sector for the purpose of agricultural improvement, e.g., irrigation, community development, etc., and in the drainage through the huge imports of foodgrains and some of the agricultural raw materials.

Faced with these problems, the bourgeoisie is seeking their solution in the following manner:

(i) Stepping up the rate of growth of the economy as a whole through increasing recourse to foreign capital—in both the public and the private sectors ; and,

(ii) Increasing the agricultural production through technological improvement.

Apart from the fact that the amount of foreign resources postulated in the Third Plan may not be forthcoming, the heavy drainage it involves in the forms of profit and debt services more or less counter-balances the benefits accrued from it. It will also tend to undermine one of the primary objectives of development, viz., the consolidation of economic independence.

The scope of technological improvement of agriculture is limited by the institutional set-up. In the absence of a broad-based cooperative farming by small and middle peasants, large-scale capitalist farms and rich peasant elements alone are in a position to undertake improvement of agriculture, which under the situation obtaining today may at best cover about one half of the cultivated area. The other half as a result is doomed to stagnation, if not deterioration.

Within this framework of limited growth, the consolidation of a very narrow stratum of obligopolistic formations, increasingly buttressed by foreign finance-capital, is introducing another element of contradiction, which will more and more reflect on the character of, not only the public sector, but also of the fiscal policies in general.

All these contradictions taken together will in the coming days lead to increasing social strain and tension, and a decisive shift in the balance of social forces—either to the Right or the Left, depending primarily on non-economic factors.

—*Perspective*—An Economic Review, Calcutta, No. 3, 1961
(Abridged)

Shastriji's NEP

With Parliament still in session, Mr Shastri chose to make public an outline of a new economic policy (like Lenin's NEP, a policy of rapprochement with the private sector) from the Royal Exchange platform in Calcutta. The reaction to his speech at the Associated Chambers of Commerce and Industry meeting was swift. The so-called barometer of the capitalist climate, the leading Indian stock exchange at Bombay, to quote a newspaper headline, 'hailed' the speech. "Dalal Street," reported the *Hindustan Times*, "has greeted Prime Minister's speech at the annual general meeting of the Associated Chambers on Monday with a measure of confidence. Prices of most of the leading counters were marked up on Tuesday due to bear covering and renewed bull support......the Government being alive to the problem of revitalising the capital market has been taken as a good augury for a possible change in the Government policy before long."

The same day, the two financial dailies welcomed the speech in their leading articles. If one, the *Financial Express*, was a little subdued in its tone, the other, the *Economic Times* was more effervescent. Mr Shastri's address, the latter wrote, "must be hailed as a cautious promise of better times made with the full knowledge that it will be hard going all along the way. Mr Shastri may not have said anything new on the economic situation, but one cannot be terribly original on such hoary problems as an economic crisis. Perhaps, he might have given some indication of new thinking in the Government, but he could have done so only if the Government had reached the decisive stage of policy making. Nevertheless, seen against the unremitting fusillade of criticism about the performance of the private

sector and the scope for foreign capital, it is significant that Mr. Shastri made some forthright commitments,"

"A careful study of Mr Shastri's address," the editorial continued, "would reveal that he was really anxious to win the collaboration of the much-maligned private sector in order to make a fresh start. The tenor of his speech was undoubtedly sympathetic, and that in itself augurs well for a broad-based partnership between business and the Government in meeting the present challenge."

Any inclination to dismiss Shastriji's speech at the Assocham session as merely an exercise in 'pleasant generalisations' should be dispelled by certain parallel developments reported by the Press. For instance, the Government of India is understood to have nearly given in to the joint pressure of foreign and indigenous big business on a number of vital points in the Industrial Policy Resolution.

Referring to a formula regarding equity participation and tax concessions worked out at a joint meeting of some MPs and U.S. Embassy officials, with the U.S. Ambassador, Mr. Chester Bowles, personally participating, the usually knowledgeable New Delhi Bureau of a Bombay daily writes:

"The usual capital participation ratio of 49 per cent foreign and 51 per cent Indian would, under the proposed formula, be split into three parts and in such a way that nominally no single element will be in absolute majority. The pattern would be 40 per cent American, 20 per cent Indian private and 40 per cent Government participation.

"*Effective control will thus be shared by the Americans with the association of Indian private capital*, while the equity capital will be held in majority, in principle, by Indians as required by the existing policy.

"It is not clear, who has invented this formula but it appears the MPs who were present at the informal meeting got the impression that the Americans were canvassing in

favour of the proposal with the assurance that large-scale investments would flow if this arrangement is approved.

"Some of the MPs appeared to have got the impression that *negotiations on this have reached a fairly advanced stage* and that if the climate is favourable on the proposed lines the American capital inflow may rise substantially during the earlier part of the Fourth Plan.

"Among the other requirements reported to have been mentioned are that the foreign investor should be assured of a reasonable return with remittance facility and tax rebate on the salaries of U. S. managerial personnel.

"It is stated that the return expected is 12 per cent after the deduction of taxes with facility to plough back 60 per cent and remit 40 per cent. *The stipulation regarding return implies tax concession.*"

The lines italicised above indicate an attempt to depart from the essential principles of the Industrial Policy Resolution and a reversal of the present not-very-equitable fiscal policy, The report also indicates that this attempt has reached an advanced stage.

There are also a few other straws in the wind. The Company Law Board has decided to adopt a 'flexible,' (in other words, soft) attitude to the question of managerial remuneration and to certain types of offences against the Companies Act, according to the latest report of the Board.

In reply to a question in the Rajya Sabha the Prime Minister reported about a new working relationship with the Assocham's Indian counterpart, viz., the Federation of Indian Chambers of Commerce and Industry (FICCI). He had asked the industrialists to send him notes on any specific suggestions that they have to put.

So all these appear to be signposts towards the formulation of a new economic policy—one of *detente*, if one would accept the present relationship between the Government and the

private sector as cold-warish, which some would like us to believe.

There is nothing basically wrong on Shastriji's part to attempt a closer relationship with the private sector on the basis of some concessions to the latter. Only this is not comparable to Lenin's NEP. In the early years of socialist construction in Russia, Lenin had given a few concessions to capitalist elements, but only after securing the political and economic supremacy of the socialist sector. The concessions were given mainly to the petty bourgeoisie after eliminating big capital. The new economic policy in India is dictated by the big bourgeoisie who have considerably consolidated their economic and political position.

Shastriji's NEP, therefore, can hardly be expected to pave the path to socialist transformation.

—*Now*, Calcutta, January 1, 1965

Coming Events

The economic events of the last few days reveal, as if under a condensed focus, the zigzag of developments likely during the Fourth Five Year Plan. The reopening of the debate over the size of outlay, the anti-climax to the food ordinance, the decision to issue 'letters of intent' to foreign collaborators, the U.S. demand for payment in dollars of the freight charges on PL 480 food—all these are shadows of coming events. Together they serve to bring out the dilemmas which the ruling party is facing and its loss of direction.

The essential core of all these problems can be traced to the basically social democratic predilections implanted and nurtured by the late Jawaharlal Nehru on Indian soil—an attempt to evolve an egalitarian society without reckoning with the hard realities and laws of social development, an oscillation between the big, contending social forces.

The debate on the size of outlay is much more than an exercise in calculus—it represents the basic dilemma of planning in India. The high rate of population growth on top of the accumulated miseries of the teeming millions has added extra urgency to the speeding up of the process of social development. But the conservative policies of the ruling party have set a low ceiling on the rate of development. Though the essential core of this question is clear to all, both the sides in the debate for or against a large Fourth Plan are fighting a mock battle without touching upon the real issues. As the difficulties of implementation pile up, the same question would crop up again and again adding to further confusion.

The retreat on the question of enforcement of discipline on the food trade is evidence, not of a lack of premeditation or judgement, but of its social moorings. While it is recognised on all hands that without a stable price line the entire plan of economic development will be reduced to little more than a scrap of paper and also that the level of food prices constitutes the basic dynamism of the price complex in India, the Government cannot make up its mind to launch an all-out and coordinated move to ensure fair and equitable distribution of foodgrains, because this will antagonise a social stratum which has so long been the mainstay of its rule and whose grip over the State administration is very palpable.

Failure to do the necessary homework has forced the Government into a position of dependence on foreign capital which is trying, albeit with a great show of benevolence, to extract its pound of flesh. That is why the humanitarian aura of the PL 480 food shipments does not prevent the U.S. Administration from compelling India to carry one half of the supply in U.S. bottoms, or from charging freights on higher-than-world rates, or from demanding the payment in the hard currency of dollars.

It is with the desperation of the hunted that the Government of India has set upon wooing foreign capital and is prepared, in the process, to grant almost extra-territorial rights to it. For instance, the decision of the Union Government to issue letters of intent to foreign industrialists desiring to start manufacturing companies in India. They are even assured of financial assistance from Indian finance institutions like the Development Bank. According to Mr Babubhai M. Chinai, M.P., a big businessman and a Congressman, the departure from the existing procedure in regard to industrial licensing, while not mitigating the impediments for inflow of foreign capital, "has unfortunately revealed lack of confidence of the Government in the initiative of Indlan entrepreneurs," whose enterprise primarily led to such industrial development as had taken place before and after independence.

The new procedure would place foreign entrepreneurs in a much stronger position than their Indian counterparts. They would have to run after foreign entrepreneurs who have secured letters of intent. "This in a way reverses the role of Indian entrepreneurs and it is odd that such a situation should develop on the Indian soil", Mr Chinai said.

He added that it was also not clear as to whether the foreign entrepreneurs by taking loans from the Development Bank and other Indian financial institutions could even completely dispense with an Indian partner. If so, then the major contribution which foreign capital was expected to make, viz., giving opportunity to Indian businessmen to acquire kuowledge of running new industries, would be defeated.

At the tail-end of all those developments taking place in the short span of a bare week, the formation of the Cement Corporation of India and the proposals for setting up two large bamboo pulp mills in the public sector, though very much welcome in themselves, hardly alter the essential picture. They, however, serve to reveal once more the split personality of the rulers.

—*Now*, Calcutta, January 29, 1965